Daily Report

Latin America

FBIS-LAT-95-013
Friday
20 January 1995

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Daily Report
Latin America

FBIS-LAT-95-013 *20 January 1995*

CONTENTS

CARIBBEAN

Cuba

U.S.-Cuban Migration Talks Continue in New York 1
Cuban Delegation To Discuss Minors *[PRENSA LATINA]* 1
Agenda of Final Day Previewed *[PRENSA LATINA]* 1
Final Round of Talks Begins *[PRENSA LATINA]* 1
Spokesman Views Latest Round of Talks *[Havana Radio]* 2
Newscast Reports Conclusion of Talks *[Havana Radio]* 2
Alarcon Lists Points of Contention *[PRENSA LATINA]* 2
Castro Sends Condolences to Japan; Robaina To Travel *[Havana Radio]* 3
Robaina Asian Tour Scheduled for 23 Jan-12 Feb *[Havana TV]* 3
Australian Foreign Minister Arrives for Visit *[PRENSA LATINA]* 3
Report Previews Agenda for Visit *[Melbourne Radio]* 3
Cabrisas, Evans Comment on Visit *[Havana Radio]* 4
Evans Signs Cooperation Agreement *[Havana Radio]* 4
Castro Meets Evans on Trade, Sports *[Havana Radio]* 5
Evans, Castro Discuss Dissidents *[Melbourne Radio]* 5
Robaina States Willingness To Improve Ties With Neighbors *[PRENSA LATINA]* 5
Mexico's Zedillo Rejects U.S. Conditions on Aid *[Havana Radio]* 6
Commentary Outlines Mexican Crisis *[Havana Radio]* 6
Caricom Commission Ends Meeting in Havana *[Havana Radio]* 7
Meeting Results in Expanded Integration *[PRENSA LATINA]* 7
CTO Conference Includes 20 Countries *[Havana TV]* 7
Brazilian Delegation Discusses Cooperation *[Havana Radio]* 8
Lage Signs Agreements With Colombian President *[Havana Radio]* 8
Trade Agreement Covers 900 Products *[Havana Radio]* 8
Talks With Bahamas On Communications, Drugs, Tourism *[Havana TV]* 8
Diplomatic Ties With St. Kitts and Nevis Considered *[Havana Radio]* 8
Foreign Minister Defends Right To Choose Destiny *[PRENSA LATINA]* 8
Finance Ministry Issues Document Assessing Economy *[Hamburg DPA]* 9
Ross Announces Third Round of Efficiency Assemblies *[Havana Radio]* 9
Finance, Price Minister Announces Improved Economy *[Havana Radio]* 10
Vice Minister Links Advances, Economic Recovery *[Havana Radio]* 10
Military Unit 1011 Congratulated by Fidel, Raul Castro *[Havana Radio]* 10
Lage Tours Tobacco Plantations To Observe Rain Damage *[Havana TV]* 10
Palmero Delivers Castro Message to Havana Workers *[Havana Radio]* 11
National Bank Confirms Three-Peso Coins Still Good *[Havana Radio]* 11
State Inspectors Council To Control Self-Employment *[Havana Radio]* 11
Civil Aviation To Finance Shoe Production With 1994 Profits *[PRENSA LATINA]* 11
Santiago de Cuba Electric Plant Exceeds 1994 Goal *[Havana Radio]* 11
Roundup of Politburo Members' Activities *[Havana TV, etc.]* 12
Commentary Assesses 'New World Order' *[Havana Radio]* 12
Panel Debates History-Ideology Ties *[Havana Radio]* 13
Commentary Supports Economic Changes *[Havana Radio]* 15
Commentator Examines Decline of Financial Integrity *[Havana Radio]* 15
Correspondents Discuss Efficiency *[Havana Radio]* 16
Commentary on Positive Results of Farmers Markets *[Havana Radio]* 18

Inter-Caribbean Affairs

Cuba, Caricom Agree To Hold Third Meeting in 1996 *[CANA]* 19

Grenada

National Budget Includes Corporate Tax Concessions *[CANA]* 19

Haiti

MINUHA To Assume Multinational Force Command 31 Mar *[Port-au-Prince Radio]* 19
CEP Projects Elections for 3 Months After Law Approval *[Port-au-Prince Radio]* 20
Deputies Stop Budget Work To Question Executive Letter *[Port-au-Prince Radio]* 20
Government Spokesman on Work Stoppage *[Port-au-Prince Radio]* 21

MEXICO

Minister: Sovereignty Not Involved in Talks With U.S. *[NOTIMEX]* 22
Legislators: U.S. Conditions for Aid Unacceptable *[LA JORNADA 19 Jan]* 22
Congress Approves Ambassador to U.S.; Envoy Comments *[Mexico City Radio]* 23
PRI Issues Communique on Tabasco Situation *[Mexico City TV]* 23
PRI Deputy Comments *[Mexico City Radio]* 24
Government Secretariat Urges Tabasco Dialogue *[Mexico City Radio]* 25
Legislators React to Conflict in Tabasco *[Mexico City Radio]* 26
Zedillo Promotes Plan To Hike Foreign Investments in Banks *[UNOMASUNO 18 Jan]* 27
Zedillo Proposes Privatization of Railroads, Satellites *[EL FINANCIERO 17 Jan]* 27
Analysts: Banxico Autonomy 'Exists Only on Paper' *[EL FINANCIERO 16 Jan]* 28
Report Profiles Federal Government's Internal Debt *[LA JORNADA 17 Jan]* 29
Industrialists Recommend Strategy To Face Crisis *[EL FINANCIERO 16 Jan]* 30
Business Leaders Outline Plans To Cope With Reduced Sales
[UNOMASUNO (ECONOMIA Supplement) 18 Jan] 30
Mexico To Remain Full-Fledged Member of OECD *[NOTIMEX]* 31
Chiapas Leaders Agree Dialogue Reduces Tension *[UNOMASUNO 17 Jan]* 31
Conai President Views Chiapas Peace Process *[EL FINANCIERO 18 Jan]* 32
Chiapas Sierra Madre Armed Actions Cited *[LA JORNADA 21 Dec]* 33

CENTRAL AMERICA

El Salvador

Finance Minister Defends Proposed Economic Plan *[EL DIARIO DE HOY 17 Jan]* 34
Exporters Corporation Notes Risks of Economic Plan *[EL DIARIO DE HOY 17 Jan]* 34

Guatemala

De Leon Gives State of Nation Address *[Guatemala City Radio, TV]* 35
Rios Montt Assumes Post of Congress President *[LA REPUBLICA 15 Jan]* 39

Nicaragua

Finance Minister Denies Currency Devaluation Rumors *[Managua TV]* 39
Ramirez Sets Priorities for Renewal Party *[EL NUEVO DIARIO 17 Jan]* 40

Panama

Minister Announces Date for Transfer of Cubans *[LA PRENSA 19 Jan]* 41

SOUTH AMERICA

Argentina

Brazil's Lampreia Arrives, To Meet Menem *[TELAM]* 42
Di Tella Urges Simplifying Mercosur Border Controls *[TELAM]* 42
Di Tella Terms Laguna del Desierto 'Closed Subject' *[TELAM]* 43
Central Government Orders Budget Cuts in Ministries *[TELAM]* 43
Ruckauf Discusses Vice Presidential Candidacy *[CLARIN 7 Jan]* 44

Bolivia

FELCN Seizes 400 Kg of Cocaine in Navy Trucks *[La Paz TV]* 46
Further on Seizure of Cocaine *[La Paz TV]* 46
6 Arrested in Cocaine Seizure *[La Paz Radio]* 46
Antidrug Chief Announces 'All-Out War' Against Trafficking *[La Paz Radio]* 47
Finance Minister Cites 1994 Economic Achievements *[EL MUNDO 18 Dec]* 47
Sanchez de Lozada Promises To Study Employment *[La Paz Radio]* 47

Brazil

Cardoso Introduces 'New Style' of Political Coordination *[O GLOBO 18 Jan]* 48
Cardoso Cites Mexico in Urging Congress To Pass Reforms *[O GLOBO 18 Jan]* 49
Cardoso To Sign Lucena's Amnesty, Veto Minimum Wage Bill *[Brasilia Radio]* 49
Relationships, Dynamics of Cardoso Family Seen *[VEJA 21 Dec]* 50
New Foreign Minister Lampreia Interviewed *[LA NACION 19 Jan]* 52
Military Lobbying for Constitutional Amendment on Status *[JORNAL DO BRASIL 12 Jan]* 53
Army Chief Points Out Armed Forces' Lack of Resources *[FOLHA DE SAO PAULO 13 Jan]* 54
Armed Forces To Resume Investments in 1995 *[GAZETA MERCANTIL 16 Jan]* 54
Army Finds 'True War Arsenal' in Rio de Janeiro Ghetto *[AGENCIA ESTADO]* 55
Finance Minister Orders Investigation Into Trade Figures *[AGENCIA ESTADO]* 55
Mandatory Deposit Eliminated in Response to Mexican Crisis
[O ESTADO DE SAO PAULO 13 Jan] 55
Finance Ministry Issues Communique on Trade Deficit *[Brasilia Radio]* 56
Dollar Withdrawals, Market Operations Analyzed *[AGENCIA ESTADO]* 56
Serra Emerges as 'Big Winner' in Trade Deficit 'Scare' *[JORNAL DO BRASIL 17 Jan]* 56

Civilian Household Chief's Style Viewed *[VEJA 18 Jan]* 57
Hugo Napoleao Elected Senate PFL Bloc Leader *[AGENCIA ESTADO]* 58
Deputies Pass Amnesty Bill for Congress President *[AGENCIA ESTADO]* 58
Congress Approves Franchising of Electrical Energy Sector *[Rio de Janeiro TV]* 59
PDT Governors Back Cardoso's Constitutional Reform *[JORNAL DO BRASIL 19 Jan]* 59
Official's Commentary Views Mexican Crisis *[FOLHA DE SAO PAULO 16 Jan]* 60
Official Discusses Privatization Program *[O GLOBO 16 Jan]* 62
'Tequila Effect' To Cause Slowdown in Economic Opening *[FOLHA DE SAO PAULO 15 Jan]* ... 63

Chile

Military Court Applies Amnesty in Two Cases *[LA NACION 22 Dec]* 63
Commentary on Stakes in Letelier Case *[LA NACION 18 Dec]* 63

Colombia

ANIF President Critiques Economic Policies *[EL ESPECTADOR 27 Dec]* 64
Impact of Violence on Migration Studied *[EL TIEMPO 20 Dec]* 66

Ecuador

Defense Ministry Communique Refutes Statement on Peruvian Border Unit *[Madrid EFE]* 68

Uruguay

Brazilian Foreign Minister Arrives, Meets Lacalle *[Madrid EFE]* 69
Discusses Mercosur, Export Taxes *[Madrid EFE]* 69
IDB Head Discusses Mexican Crisis, Support for Projects *[Madrid EFE]* 70
Economic Authorities Comment on Mexican Crisis Impact *[BUSQUEDA 18 Jan]* 70
Sanguinetti Sector Considers Economic Situation 'Alarming' *[BUSQUEDA 18 Jan]* 71
Stock Market President Notes Investment Opportunities *[BUSQUEDA 18 Jan]* 71
Editorial Assesses Implications of Mexican Crisis *[BUSQUEDA 18 Jan]* 72
Paper Comments on Argentine Reaction to Mexican Crisis
[EL OBSERVADOR ECONOMICO 12 Jan] 73
Final Results of November General Elections Released *[Madrid EFE]* 74

Venezuela

Caldera Says Corruption Undermines Democratic Conscience *[EL UNIVERSAL 17 Jan]* 74
Central Bank President Opposes Nationalization of Banks *[Caracas TV]* 75
Haiti Seeks Resumption of Talks on Economic Aid *[EL UNIVERSAL 17 Jan]* 76
Roundup of Economic Developments *[EL NACIONAL 8 Jan, etc.]* 76

Cuba

U.S.-Cuban Migration Talks Continue in New York

Cuban Delegation To Discuss Minors

PA1901181295 Havana PRENSA LATINA in Spanish 1651 GMT 19 Jan 95

[FBIS Translated Text] Havana, 19 Jan (PL)—The Cuban delegation to the migration talks with the United States in New York will insist today on reviewing the issue of children taken last year to the U.S. Naval Base at Guantanamo without the consent of one of their parents.

Carlos Fernandez de Cossio, director of the North America Department of the Cuban Foreign Ministry and a member of the delegation, told Radio Rebelde that claims made by the parents who remain in Cuba will be discussed. The parents in Cuba are claiming their patria potestas rights with regard to the minors.

He said measures to guarantee that the Guantanamo military base, which is illegally occupied by Washington, does not serve to attract people wanting to emigrate will be discussed.

He said: The U.S. Government plans to declare that this is not a means to the United States.

Fernandez said the talks taking place at the Cuban Mission to the United Nations will also touch on commitments established in the 9 September 1994 agreements, which are aimed at normalizing relations on the migration issue.

Agenda of Final Day Previewed

PA1901135095 Havana PRENSA LATINA in Spanish 0635 GMT 19 Jan 95

[FBIS Translated Text] United Nations, 19 Jan (PL)—The current round of U.S.-Cuban migration talks today enters its second and probably final day of work in New York.

Cuba's Permanent Mission to the United Nations will host today's talks, chaired by Ricardo Alarcon, president of the National Assembly of the People's Government (parliament), and Dennis Hays, the State Department's coordinator for Cuban Affairs.

As has been announced, the current round is reviewing compliance with the migration agreements signed by both parties on 9 September 1994.

This review began in yesterday's session. Other major points on the agenda include the confinement at the U.S. Naval Base at Guantanamo of children who were illegally taken from Cuba by one of their parents and are legally claimed in Cuba by the other parent.

Sources close to the Cuban delegation stressed the two governments are trying to prevent the U.S. Naval Base at Guantanamo—Cuban territory illegally occupied by the United States—from becoming a point of attraction for those who want to emigrate.

Tentative dates for an upcoming bilateral meeting with similar objectives are expected to be announced at the end of today's talks.

Last year, Cuba and the United States reached an agreement under which Washington committed itself to granting at least 20,000 visas by September 1995, as well as issuing additional special visas, except for that year [por excepcion en ese ano], to resolve a pending list of people who have met all legal requirements for visas but have not yet received U.S. authorization.

An earlier round of negotiations was held in Havana in October to discuss the same issue. During these talks, the parties assessed as positive the two sides' compliance with the agreement, but they also admitted additional efforts were needed for the agreement to be executed fully.

Final Round of Talks Begins

PA1901181195 Havana PRENSA LATINA in Spanish 1711 GMT 19 Jan 95

[FBIS Translated Text] United Nations, 19 Jan (PL)—The final session of the current round of Cuban-U.S. negotiations on migration issues began, slightly behind schedule, today at Cuba's permanent mission to the United Nations.

The 11-member U.S. delegation, headed by Dennis Hays, the State Department's coordinator for Cuban affairs, arrived at 0915 local time (1515 GMT).

The Cuban delegation is headed by Ricardo Alarcon, president of the National Assembly of the People's Government (parliament). Its other members are: Jose Arbezu, Olga Miranda, Carlos Fernandez de Cossio, and Walkiria Fernandez, officials involved in Cuba's foreign policy.

It has been reported that shortly after noon, the parties will have a break in their conversations and sit down to a working lunch in the Cuban mission. Later they will continue with their work until finished.

As announced, the purpose of this meeting is to analyze compliance with the migration agreements the two countries signed on 9 September in 1994.

In that document, the United States committed itself to granting no less than 20,000 visas annually, until 9 September, to Cuban citizens wanting to travel to the United States, as well as to issuing an additional number of visas to resolve pending cases for people who meet legal requirements but who have not received authorization from Washington.

One of the basic points of this round of talks has to do with children at the Guantanamo base taken illegally

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

from Cuba by one of the parents without the consent of the other, who is legally claiming the child's return to Cuba.

The two sides have also noted their governments' objectives of keeping the military installation on Cuban territory illegally occupied by the United States from becoming a route for those wanting to emigrate.

So far neither of the two delegations has spoken to the media. It is expected that this afternoon, at the end of the meeting, some statement will be issued.

Spokesman Views Latest Round of Talks

FL1901211195 Havana Radio Rebelde Network in Spanish 1800 GMT 19 Jan 95

[From the "National Radio News"]

[FBIS Translated Text] The United States and Cuba continue the third round of migration talks today. Correspondent Maria Elena Alonso spoke with Carlos Fernandez de Cossio, spokesman for the Cuban delegation:

[Begin recording] [Alonso] How would you describe the atmosphere at the talks? Where has concrete progress been made?

[Cossio] The atmosphere of the talks can be described as proper and positive. We are reviewing the various stipulations of the 9 September agreement. Of course, some are seen to have been complied with better than others. If it is ratified, it will be due in part to both parties' intention to maintain the basic spirit of the agreement, which is to find common ground to normalize migratory relations between both countries.

The basic issues we have discussed include the issue of the children who have been taken to the Guantanamo naval base without consent of either of their parents who are in Cuba and who, therefore, demand their right to exercise their parental authority. We will continue to discuss this issue today: It is one of great interest to Cuba.

[Alonso] Is there progress on the U.S. pledge to grant no less than 20,000 visas per year, as well as an additional excepted quantity, to reduce the waiting list?

[Cossio] This is really one of the basic points of the agreement and one of the points we have been looking at. As far as we can see and judging by indications given us by the United States, we have reason to believe they sincerely intend to grant the promised visas in an orderly fashion. Of course, all this very much helps in the effort to normalize migratory relations and, for the first time, establishes an effective legal procedure between both countries for those who wish to emigrate. [end recording]

Cossio also said that today could be the final day of the talks and added that the Cuban and U.S. delegations plan to resume talks on migratory issues within a reasonable length of time.

Newscast Reports Conclusion of Talks

PA2001023495 Havana Radio Havana Cuba in Spanish 0100 GMT 20 Jan 95

[From the "Evening Information Review" newscast]

[FBIS Translated Text] The round of talks between the United States and Cuba on migration agreements signed by both countries concluded in New York City on 19 January. Both parties stated progress was achieved during the dialogue.

U.S. and Cuban officials who participated in the talks agreed there has been progress in the implementation of the migration agreements, and they analyzed details of the voluntary return to the island of the rafters who are at the U.S. bases in Guantanamo and Panama among other topics.

The contacts were held in a frank and constructive climate according to statements by both parties.

Alarcon Lists Points of Contention

PA2001142495 Havana PRENSA LATINA in Spanish 0635 GMT 20 Jan 95

[FBIS Translated Text] United Nations, 20 Jan (PL)—Ricardo Alarcon, head of the Cuban delegation to the migration talks with the United States, has reported the existence of controversial issues during the recently concluded round of talks—issues that need to be resolved in the future.

In statements to the media, the president of the National Assembly of the People's Government spoke about children illegally taken from the island by one of their parents while the other parent is claiming custody rights.

Alarcon said such actions should be considered virtual kidnappings, and he added that the United States has not responded to this.

He added: This is not a matter of one parent taking a child to another country but, instead, taking a child into limbo, considering the United States has declared that Cubans at the Guantanamo Naval Base will never enter that country.

He said: No one has the right to deprive a parent of child custody rights, even in the case of divorce, because laws establish rights along with obligations regarding the guardianship and care of children.

Alarcon reported that another contentious issue is the case of Leonel Macias who, on 8 August, killed a Cuban Armed Forces officer while hijacking a boat to the United States.

Alarcon explained that this individual arrived in the United States without a visa or visa request, which violates U.S. laws, and did so while smuggling emigrants and after committing murder.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Alarcon noted: If he gets away with this and goes free, a very bad precedent will be set.

Assassins must pay for their crimes, and it would be very offensive for this type of action to go unpunished, Alarcon said.

Alarcon reported that the matter was discussed during the talks, but no solution was reached, although this kind of incident is covered in the migration agreements of 9 September 1994.

He said: We will see how they comply with what was agreed upon at that time, and how he is punished to discourage a repetition of this kind of action; therefore, we will wait and see how this case is ultimately resolved.

When asked about how those who have volunteered to return to Cuba are doing this, he said that when he arrived in New York there was a list that included the names of about 1,200 Cubans who had already returned to Cuba, and he noted that the United States has presented a new list.

He said: This is taking place gradually, and I believe this is best in light of the situation.

Alarcon was asked whether he noticed any changes in the U.S. position on Cuba. He said, honestly, no change has been noticed.

In discussing those members of the Republican-dominated Congress who are demanding that pressure on Cuba be intensified, Alarcon said he has to wait to evaluate the situation, and he noted that there is very little else the United States can do to harm the Havana Government.

He recalled that recently, during an interview, President William Clinton admitted that no one has done as much to counter Cuba as the United States, which often has been forced to act alone.

This is why, Alarcon noted, we can expect more rhetoric from the U.S. Congress, but I do not believe they are going to invade us.

The truth is, he said, that the United States is totally isolated in its policy against Cuba.

He added that the Cuban delegation went to New York prepared to discuss any issue based on respect, independence, and sovereignty, but the United States is not prepared to make any further progress at this time, and this is why we have been limited to migration matters.

Nevertheless, he said, the North Americans will eventually realize that something is wrong, because they are alone in maintaining their blockade against Cuba, and even their best allies refuse to follow suit on this policy.

Castro Sends Condolences to Japan; Robaina To Travel

FL1901234595 Havana Radio Reloj Network in Spanish 2032 GMT 19 Jan 95

[FBIS Translated Text] During his normally scheduled news conference, Miguel Alfonso, Foreign Ministry spokesman, advised that Commander in Chief Fidel Castro sent condolences to Japanese Emperor Akihito for the earthquake Japan has suffered, taking the lives of over 3,000 people.

Alfonso also announced that Carlos Lage, secretary of the Executive Committee of the Council of Ministers, will participate in the so-called World Economic Summit, to be held in Switzerland toward the end of the month. Alfonso added that Cuban Foreign Minister Roberto Robaina will begin an official visit to Japan on 25 January. Robaina will also visit the DPRK, Thailand, Nepal, the PRC, and the Philippines. Alfonso further informed that the economic ministers of Slovakia and Romania will soon be visiting Cuba and that Cuban Vice Foreign Minister Isabel Allende will soon be traveling to Russia and Kazakhstan.

Robaina Asian Tour Scheduled for 23 Jan-12 Feb

FL2001031295 Havana Cuba Vision Network in Spanish 0100 GMT 20 Jan 95

[FBIS Translated Text] Cuba Foreign Minister Roberto Robaina's tour through Asia will cover six countries: Japan, DPRK, Thailand, Nepal, PRC, and Philippines. The tour will take place from 23 January to 12 February, according to Miguel Alfonso, spokesman for the Cuban Foreign Ministry.

Australian Foreign Minister Arrives for Visit

PA1801213195 Havana PRENSA LATINA in Spanish 1818 GMT 18 Jan 95

[FBIS Translated Text] Havana, 18 Jan (PL)—Australian Foreign Minister Gareth Evans arrived today in Havana at the invitation of his Cuban counterpart Roberto Robaina.

Robaina received Evans, the first Australian foreign minister ever to visit Cuba, at Jose Marti International Airport. Official talks are scheduled to begin immediately.

In remarks to reporters upon his arrival, Evans stated he expected a great deal from this visit because he is anxious to learn more about Cuba.

He said there are many topics he wants to discuss with Cuban leaders, citing bilateral relations and economic cooperation as examples.

During his two-day visit to Cuba, Evans will meet with several Cuban ministers, including Foreign Trade Minister Ricardo Cabrisas and Ernesto Melendez, foreign investment and economic cooperation minister.

Cuba and Australia established diplomatic relations in 1989, but bilateral trade until now has been nominal.

Report Previews Agenda for Visit

BK1901080195 Melbourne Radio Australia in English 0630 GMT 19 Jan 95

[From the "International Report" program]

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

[FBIS Transcribed Text] Australia's foreign minister, Gareth Evans, is in Cuba this week to meet President Fidel Castro and Cuban Government ministers. It is the first time an Australian foreign minister has visited the communist state and there are even plans for Cuba's foreign minister to return the visit in March.

Human rights concerns and Cuba's stance on nuclear weapons will be high on Senator Evans' agenda, but the minister also plans to raise trade issues and Cuba's failure to repay an Australian Government loan. Anne Parker reports:

[Begin recording] [Parker] Two-way trade between Australia and Cuba is almost negligible. Cuba's small and closed economy and its distance from Australia meant that trade between the two countries last financial year came to less than Australian $2 million.

Australia's exports consisted almost entirely of equipment for use in Cuba's sugar industry, but the Australian Government believes Cuba offers promising potential for Australian companies. That potential is one reason Australia's foreign minister, Gareth Evans, is in Cuba this week. Senator Evans will meet President Castro and Cuba's minister for foreign affairs and foreign investment. Part of his aim is to raise concerns about human rights and Cuba's failure to sign either the Nuclear Nonproliferation Treaty or the Chemical Weapons Convenion. After that, the talks will focus on trade.

Australia maintains diplomatic relations with Cuba and opposes the United States trade embargo. Australia's trade minister, Bob McMullan, says although his government has concerns about the Cuban regime, the communist state has much to offer Australia.

[McMullan] Any economy that has strength in agriculture and mining and is looking to modernize, there are particular opportunities for Australia because we have the technology and the equipment and they therefore become significant market opportunities.

We have major Australian companies interested in mining in Cuba. If they have the capacity to fund upgrading of their sugar harvesting and sugar milling, we would be a major source of equipment supplies or has the potential to be as we are in other countries like Mexico where similar upgrading is going on.

[Parker] There is one thorn in the trade relationship. Cuba has defaulted on an $18 million loan from the Australian Government made to fund the purchase of sugar harvesting equipment in 1984. The Cuban Government had paid only $4 million when economic problems caused by the collapse of the Soviet Union forced it to stop its repayment.

Australia is hopeful that Senator Evans' visit will encourage Cuba to redress the problem. [end recording]

Cabrisas, Evans Comment on Visit

FL1901025495 Havana Radio Rebelde Network in Spanish 0000 GMT 19 Jan 95

[From the "Exclusive" program]

[FBIS Translated Text] Cuban Foreign Trade Minister Ricardo Cabrisas met with Australian Foreign Minister Gareth Evans, marking Evans' first official activity on his visit to Cuba. Evans was invited to visit Cuba by Cuban Foreign Minister Roberto Robaina. Cabrisas stated that he was very happy to have Evans in Cuba.

[Begin Cabrisas recording] Truly, I think that your visit will be a highlight in the relations between Cuba and Australia. Even though your visit to Cuba will be brief, I am sure that once you become familiar with the path that leads here and with the business opportunities Cuba has to offer, you will give the necessary instructions to the private and state sectors to establish the groundwork for broader relations. [end recording]

Evans stated that he had great expectations of his visit to Cuba.

[Begin Evans recording in English, with passage-by-passage translation into Spanish] I am aware that trade and investments have been very limited up to now. I am also aware that huge political changes have occurred lately, and that this is now more attractive to other countries. [end recording]

Another important moment of Evans and his delegation's visit was meeting with Robaina.

Evans Signs Cooperation Agreement

FL2001002895 Havana Radio Rebelde Network in Spanish 1800 GMT 19 Jan 95

[From the "National Radio News"]

[FBIS Translated Text] Mr. Gareth Evans, Australian minister for foreign affairs, placed a floral wreath at the Jose Marti monument in the Plaza de la Revolution and signed a cooperation agreement. Mr. Evans concludes his visit to Havana today. Correspondent Gisela Bel Heredia reports from the central office of the Ministry of Foreign Relations.

[Begin recording] [Bel] The document was signed in the presence of Roberto Robaina by Comrade Reinaldo Gonzalez, president of the National Institute for Sports, Physical Education, and Recreation and Mr. Gareth Evans, Australian minister of foreign affairs. After the signing, Evans pointed out that one of the things that Cuba and Australia have in common is that they are both sports- minded countries.

[Evans, in English with passage-by-passage translation into Spanish] We both have first-class records from the Olympic Games at this time. But I have to say that Australia is particularly envious of Cuba's record. We hope that with this agreement, a little of that magic will rub off. We both have very professional...

[Unidentified speaker, interrupting, in Spanish with simultaneous translation into English] We are going to share the magic.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

[Evans, in English with passage-by-passage translation into Spanish] We have a very professional sports institute, which is famous not only here in Cuba, but all over the world. We are very happy to be able to join with you in this cooperative program, as we are looking forward to very good results in Sydney in 2000. [end recording]

[Havana Radio Reloj Network in Spanish at 2052 GMT on 19 January adds that Evans met with Carlos Lage, secretary of the Council of Ministers and with Marcos Portal Leon, minister of Basic Industries.]

Castro Meets Evans on Trade, Sports

FL2001130195 Havana Radio Rebelde Network in Spanish 0000 GMT 20 Jan 95

[From the "Exclusive" program]

[FBIS Translated Text] On 19 January, President Fidel Castro accompanied Australian Foreign Minister Gareth Evans to the Jose Marti International Airport where he bid him farewell. Moments earlier Fidel Castro and Evans had held a meeting where Evans reiterated Australia's rejection to the U.S. blockade of Cuba. Evans stated that his meetings with Cuban Foreign Minister Roberto Robaina, Foreign Trade Minister and other Cuban authorities had been constructive and beneficial. Before leaving Cuba Evans held a press conference at the Jose Marti International Airport.

Today, Evans' activities in Cuba were the signing of a cooperation protocol in the sports sector and laying a wreath at the Jose Marti monument in the Plaza de la Revolucion. These activities are to be added to those in which Evans participated yesterday when he arrived in Cuba.

[Begin recording] [Evans] I have held meetings with several ministers during the last two days and we have identified areas for possible cooperation. We have some problems to sort out related to debts and difficulties in Cuba's economy, but I am very confident that as a result of this visit we can resolve those difficulties.

[Unidentified Speaker] Isn't Australia too far away from Cuba to establish this type of relation?

[Evans] In the present world no one is too far away. Everybody has to compete and to supply, when speaking of trade; and when speaking of investments, the world is everybody's' neighborhood. Australian companies are very active in many parts of the world, including Latin America. We have large investments in Chile and other countries. Distance is no problem. [end recording]

Evans also gave his opinion with regard to the U.S. blockade against Cuba.

[Begin Evans recording] We have said that it does not help and we want the blockade to be lifted. [end recording]

Evans, Castro Discuss Dissidents

BK2001033295 Melbourne Radio Australia in English 0100 GMT 20 Jun 95

[FBIS Transcribed Text] In Havana, Australia's foreign minister, Gareth Evans, has held talks with the Cuban leader, Fidel Castro. Steve Sailor reports the meeting was held under strict security at the airport in the Cuban port city.

[Begin Sailor recording] President Castro met Senator Evans for three quarters of an hour of talks in a car at Havana Airport, minutes before the Australia foreign minister was to fly out after a day of talks. Senator Evans and Fidel Castro cracked jokes about cigars and giving up smoking, then spoke seriously about international concerns over Cuban repression of political dissidents.

Senator Evans said Mr. Castro listened to the Australian suggestion of relaxing harassment in order to build up world support for lifting the crippling American embargo on Cuba. [end recording]

Robaina States Willingness To Improve Ties With Neighbors

PA1501155095 Havana PRENSA LATINA in Spanish 1628 GMT 11 Jan 95

[FBIS Translated Text] Havana, 11 Jan (PL)—Cuba is willing to improve and expand relations with neighboring states, without exception and including the United States, Cuban Foreign Minister Roberto Robaina stated upon receiving a delegation of Canadian parliamentarians.

"Cuba is opening to the world, and as part of this process we want a special opening with our neighboring countries, including Canada, Mexico, the Caribbean, Central and South America, and—why not—the United States," the foreign relations minister told legislators who are visiting the island to bolster bilateral ties.

Robaina highlighted the "very good and positive" relations with Mexico and Canada, especially with the latter, with which Cuba will commemorate half a century of uninterrupted diplomatic ties this year.

Canada is among the countries that for a long time has dared and still dares to maintain relations with the island, even under very difficult circumstances, Robaina stressed.

Robaina recently emphasized that the Canadians have demonstrated how even in very difficult and complex times "it is and will always be possible to achieve or do something for Cuba through negotiations and understanding instead of through imposition."

"Not everyone in the world today dares to come to Cuba and invest in the island," he said.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Robaina noted that three priority areas for Cuba's economic development, tourism, nickel, and petroleum, are associated with Canada.

Firms from that northern country have considerable interest in the extraction and processing of nickel and other metals and minerals, as well as in petroleum exploitation. In addition, most tourists visiting the island are from Canada.

Canadian Ambassador Mark Entwistle stated that both countries "are natural commercial partners with a long history of economic cooperation."

"We maintain a respectful and constructive political dialogue in our relationship, which facilitates understanding and the development of bilateral ties in all areas, despite our different systems and diverse political concepts, the dipiomat told PRENSA LATINA.

The group of parliamentarians—comprised of two senators and five deputies from the Chamber of Commons, Canada's main legislative body, is visiting the island to strengthen ties with the Cuban parliament and identify ways to expand bilateral cooperation.

Mexico's Zedillo Rejects U.S. Conditions on Aid

FL2001032495 Havana Radio Rebelde Network in Spanish 0000 GMT 20 Jan 95

[From the "Exclusive" program]

[FBIS Translated Text] A cable that is at this time arriving over PRENSA LATINA's telexes reads that Mexican President Ernesto Zedillo today stated that he rejects any political conditions being imposed by certain sectors of the U.S. Congress during the talks on economic aid to Mexico.

Commentary Outlines Mexican Crisis

FL2001133095 Havana Radio Rebelde Network in Spanish 1255 GMT 19 Jan 95

[Commentary by Eduardo Dimas; from the "Doing Radio" program]

[FBIS Translated Text] Life in Mexico goes on amid news on the effects of the financial crisis, the political reform, and the attempts to solve the Chiapas conflict. The flow of capital followed by a devaluation of the peso spurred an increase in the cost of essential goods, as well as unemployment.

Small and middle-size enterprises in all production sectors are the most affected and it seems that the impact on the communication sector will be also significant. So far, several press agencies have announced or made personnel cuts. Others have closed their doors, and many could be taken over by information multinationals.

Mexican economic indicators have somewhat recovered recently, after the U.S. Government announced support for Mexico with $40 billion in credits, however, this support needs Congressional approval, and many members are against it.

President Clinton's government argues that the extension of the Mexican crisis could have disastrous results in the U.S. economy, and could increase illegal immigration by over 30 percent, however, he does not mention that the aid package would also increase the dependency of Mexican economy, and thus, the U.S. political influence on Mexico.

Additionally, the four main parties in Mexico reached an agreement last Tuesday to initiate an electoral reform to guarantee more impartiality and transparence in elections, areas subject to strong questioning lately. The agreement was signed by the Revolutionary Institutional Party , the National Action Party, the Democratic Revolution Party, and the Work Party, in Los Pinos presidential residence. During the ceremony, President Ernesto Zedillo stated that, from now on, democratic advances will be backed by national dialogue to discuss the government's reform. This will lead to a more balanced presidential regime due the supervision of the other state's powers, and to strict compliance with the Constitution.

Regarding the electoral system, Zedillo preferred to address all the issues which have created discontent, such as party financing, limits on political campaigns, access to communication media, and autonomy of electoral organizations.

The conflict in Chiapas seems to be finding a solution, following last Sunday's talks between the Government and the Zapatista National Liberation Front, however, Bishop Samuel Ruiz believes that a possible peaceful solution will not come soon, because the original causes of the conflict persist. [Words indistinct] recognized the growing injustices. The Zapatist army has stressed particularly the imminent need for a change in land ownership, as well as more attention to the health, education, and social needs of Indians and farmers.

The same could happen in other states, such as Guerrero, Michoacan, Quintana Roo, etc., however, the measures to solve the problems will more likely have a national character if the political balance and the economic situation can afford it.

This is the current status of the situation in Mexico where people believe that government conducts reforms when crises develop. They remember the crises of 1958, 1968, 1976-79, and 1988, which generated changes, particularly political changes, but were insufficient.

The 1994 crisis has multiple causes—economic, political, and social causes. Let us hope that Zedillo's government can solve them, so that Mexico can continue to play its important role in the Latin American hemisphere.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Caricom Commission Ends Meeting in Havana

FL1801230595 Havana Radio Rebelde Network in Spanish 1800 GMT 18 Jan 95

[From the "National Radio News"]

[FBIS Translated Text] On 18 January, the joint Cuba-Caricom Commission concluded its closed-door meeting at Havana City's Convention Center. In general, the Caricom secretariat, which is participating in the joint Cuba-Caricom Commission, is noting the majority of Cuba's proposals so they can later be analyzed by the Caricom countries. The final decisions could be made during 1995.

Of course, the presence of ministers and high-level Caribbean country officials is a very good sign. It leads us to believe that the proposals of joint commercial-economic Caricom representation in Havana City, tourist development projects, and land-and-air transport projects could become a reality.

Cuban Foreign Trade Minister Ricardo Cabrisas stated that if Caricom decided not to open an office in Cuba in the near future, it would not hinder the existing communication between Cuba and the joint commission. Cabrisas stated that he was very satisfied with the meeting's outcome.

[Begin Cabrisas recording] We are very encouraged by the results obtained. As I stated during the inauguration, this past year meant coming closer together and establishing contacts between organizations from Cuba and Caricom. I think that in 1995, through the work groups that have been established, we can aspire to much better results. These results will no doubt be taken into consideration during the third session of meetings. [end recording]

Meeting Results in Expanded Integration

PA2001025795 Havana PRENSA LATINA in Spanish 2102 GMT 18 Jan 95

[FBIS Translated Text] Havana, 18 Jan (PL)—The Joint Cuba-Caricom [Caribbean Common Market] Commission's second meeting ended here today with a greater rapprochement between this country and the regional bloc.

"The results are very good," said Caricom Secretary General Edwin Carrington at a news conference with domestic and foreign media at the conclusion of the session. The media was not given access to the two-day meeting.

Promises to draft and sign agreements on biotechnology, trade, culture, and air and sea transportation indicate better integration.

The topic of the U.S. presence in the Caribbean community "is always there. What we are doing with Cuba does not hurt other nations. We are working to improve our mutual relations, and we do not believe that any state can view these relations as unfriendly," Carrington said.

"We have always said the same thing every time we have been asked for our opinion on our ties with Cuba," he said.

The joint commission has shown an interest in achieving integration, and there are plans for another meeting in one of the English-speaking countries early next year.

Interviewed by PRENSA LATINA, the Caricom secretary general said the expansion of the Caribbean islands' air and sea routes with Cuba took up much of the time, because "without transportation, there are no trade relations with the region's most attractive island to the private sector," he said.

"The population of the largest island of the Antilles is more than double the population of all the Caricom nations combined, and the investment opportunities offered by Cuba also attract businessmen's interest," he said.

Meanwhile, Cuban Foreign Trade Minister Ricardo Cabrizas Ruiz said the area is interested in its ties with Cuba. That is why they have agreed to create mechanisms to accelerate and allow the full integration of the business sector in his country.

The study of possible flights by Cubana de Aviacion airlines between Havana and Barbados, with the possibility inclusion of Trinidad and Tobago, was announced yesterday. Belize and Barbados reportedly hope to sign bilateral aviation agreements with the island.

Carrington reiterated the invitation made to the largest island of the region to participate in a summit on tourism and trade in the Caribbean community, scheduled for next May in Barbados.

CTO Conference Includes 20 Countries

FL2001031895 Havana Cuba Vision Network in Spanish 0100 GMT 20 Jan 95

[From the "NTV" newscast]

[FBIS Translated Text] The search for greater integration, the development and expansion of the markets, and the expansion of the interregional transportation agreements are some of the subjects being discussed at the Caribbean Tourism Organization's [CTO] conference, which is being held at the Hotel Nacional.

More than 20 countries are present at this CTO session. Cuba has been a member of the CTO for three years. This is the first time that this intergovernmental group has met in Cuba. On this occasion the organization is seeking formulas to achieve greater integration so that the Caribbean as a tourist destination can confront competition from other regions of the world.

During a news conference, CTO Secretary General (John Holder) stated that Cuba has the conditions to be among

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

the tourism leaders of the region and regrets the restrictions imposed by the United States, which keep it from greater business opportunities. Cuban Tourism Minister Osmany Cienfuegos is attending the meeting along with ten tourism ministers of the area and members of the organization's board of directors.

Among the points to be discussed in tomorrow's session are the celebration of the conference on Caribbean tourism with the participation of the region's heads of state.

Brazilian Delegation Discusses Cooperation

FL2001122495 Havana Radio Rebelde Network in Spanish 1800 GMT 19 Jan 95

[From the "National Radio News"]

[FBIS Translated Text] The mayor of the Brazilian city Juiz de Fora, (Estorio Matos) today praised Cuban achievements in education and medicine production during a visit by Armando Suarez, Cuban Consul in Brazil. (Matos) met with Suarez and the representative of Cubatur in Rio de Janiero, Manolo Vasquez, and expressed his wish to establish cooperation agreements with Cuba. During meetings with other local government authorities, Suarez was informed about assessments of official and business sectors and their interest in purchasing Cuban medical diagnostic equipment considered to be very efficient by Brazil. During Suarez' brief visit to the Federated University of Juiz de Fora, professor Rene Gonzalez announced that the city will send representatives to the Cuban-Brazilian university presidents conference to be held next February in Havana. The subjects of educational cooperation and exchange, and tourism to Cuba were broached in other meetings.

Lage Signs Agreements With Colombian President

FL1801150195 Havana Radio Rebelde Network in Spanish 1000 GMT 18 Jan 95

[From the "Doing Radio" program]

[FBIS Translated Text] A meeting between Colombian President Ernesto Samper and Carlos Lage, vice president of the Cuban Council of State, has been announced by the Cuban Foreign Ministry in Bogota. The meeting will take place in Cartagena de Indias, Colombia, and will review the current status of relations between both countries.

The meeting was decided upon following the recent visit of Colombian Foreign Minister Rodrigo Pardo to Havana, during which Colombia and Cuba signed agreements to eliminate visas for official diplomats, and to exchange information, as well as on joint cooperation programs in the diplomatic and cultural sectors.

Trade Agreement Covers 900 Products

FL2001032795 Havana Radio Progreso Network in Spanish 0100 GMT 20 Jan 95

[From the "NTV" newscast]

[FBIS Translated Text] Colombian President Ernesto Samper invited Carlos Lage, vice president of Cuba's Council of State, to a meeting to evaluate the progress and prospects of increasing bilateral relations and cooperation in diverse sectors. Carlos Castillo, an official of the Colombian Government's press secretariat, informed PRENSA LATINA that Samper and Vice President Humberto de la Calle will participate in dialogues with Lage in Cartagena. Colombia and Cuba signed a trade agreement that includes the mutual exchange of approximately 900 products. According to sources, bilateral trade exceeded $40 million during 1994. During the new year, the tourism sector has seen an unprecedented increase with the arrival of more than 2,000 Colombian tourists.

Talks With Bahamas On Communications, Drugs, Tourism

FL2001025495 Havana Cuba Vision Network in Spanish 0100 GMT 20 Jan 95

[From the "NTV" newscast]

[FBIS Translated Text] Today, the official talks between Cuba and The Bahamas were held at the Cuban Foreign Ministry. They were chaired by Roberto Robaina and Janet Bostwick, foreign ministers of Cuba and the Commonwealth of the Bahamas, respectively. Today's agenda included issues such as communications, the fight against drugs, and tourism, among others. The Bahamian foreign minister arrived in Havana last night for an official visit.

Diplomatic Ties With St. Kitts and Nevis Considered

FL2001002695 Havana Radio Progreso Network in Spanish 1200 GMT 19 Jan 95

[From the "First Thing" program]

[FBIS Translated Text] The Governments of Cuba and of St. Kitts and Nevis are considering the possibility of normalizing diplomatic relations, according to statements made in Havana by authorities of the two countries.

Foreign Minister Defends Right To Choose Destiny

PA1501025195 Havana PRENSA LATINA in Spanish 0221 GMT 12 Jan 95

[FBIS Translated Text] Havana, 11 Jan (PL)—Cuban Foreign Minister Roberto Robaina stated today that this country is building a human project and has the right to choose its own destiny.

At a meeting with leaders of the Committee for the Defense of the Revolution (CDR), the country's largest mass organization, Robaina referred to Cuba's relations with the international community, projections for the

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

summit on social development to be held in March in Denmark, and the future of the Nonaligned Movement, among other topics.

Reporting on the results of his tour of Latin America, Asia, Africa, and the Middle East, the foreign minister said that "nothing helps us more abroad than to portray our country just as it is."

He said that in the countries he visited they spoke of the effects of the U.S. blockade against the Caribbean nation and they tried to reflect a true image of Cuba's reality, a country that "seeks its own solutions to its own problems."

During the meeting held in the Foreign Ministry, Robaina also stressed that the influence of the island abroad depends on the effort of millions of persons who are struggling every day in their communities and territories.

Finance Ministry Issues Document Assessing Economy

PA1401032395 Hamburg DPA in Spanish 2107 GMT 9 Jan 95

[By Victorio M. Copa]

[FBIS Translated Text] Havana, 9 Jan (DPA)—In September, Cuba established stricter control over financial operations in an attempt to ensure a more efficient process in its economy, which is facing its worst crisis since 1959.

According to a Finance Ministry document entitled "General Guidance for Analysis of Budget Behavior and Implementation," the idea is to assess economic results of self-supporting enterprises or budgeted units.

In statements to DPA, expert Xiomara Tosar said that the new financial procedures include the analysis of such indicators as profits and losses, which are essential in evaluating the effect of the measures put into practice to reorganize Cuba's economy.

The recent price increase for nonessential products (rum and cigarettes), the elimination of dividends, and a new tax system are aimed at reducing this year's fiscal deficit by 975.4 million pesos (equal to dollars at the official exchange rate).

According to the most updated Finance and Price Ministry figures, surplus cash by May 1994 was $12 million, while budget imbalance at the end of 1994 was $4.2 million.

According to Finance and Price Minister Jose Luis Rodriguez, the increase in prices and taxes "is the most effective mechanism for short-term financial reorganization."

Government sources told DPA that the official policy is aimed at reducing the burdensome state subsidy, including 100 million [currency not specified] for the the administration of centers.

The Cuban state spends $365 million a year subsidizing essential articles whose prices have not been affected. The costs of these rationed products for consumers is between 22-23 pesos per person a month.

This restricted basket, together with housing, electricity, and other public services, absorbs 40 percent of a minimum wage, which in Cuba amounts to 150 pesos.

Since 1 June, cigarettes are being sold on three already existing price scales: rationed quotas at 2.00 and 2.50 pesos depending on whether they are dark or light tobacco, while additional controlled deliveries are sold at 5 and 6.50 pesos, and those on the free market at 10 and 10.50 per pack.

Beer, which doubled in price, is worth 1.20 pesos a bottle, while rums and spirits range between 20 to 40 pesos a bottle, and rationed fuel for the 172,000 privately owned cars became practically four times as expensive at 1.20 pesos per liter for premium, 1.00 pesos for regular, and 0.75 pesos for diesel.

The electric service, which currently experiences frequent and prolonged interruptions, on 1 October will cost residential users about 20 percent more, although users will not be allowed to exceed their quotas because they will be sanctioned.

Some types of transportation are included in the hikes, such as the rail, air, sea transportation to and from the Isle of Youth about 125 km south of Havana, and intercity buses.

The exchange rate remains unchanged, according to official declarations, as an option, while the foreign currency exchange rate for the peso is not ruled out either.

According to what was learned, Spanish Economy Minister Carlos Solchaga has proposed to Cuban authorities a plan to revitalize the island's impoverished economy based on four fundamental points.

These include the elimination of subsidies to state enterprises, liberalization of self-employment, and the opening of certain forms of private initiatives, making the investment law more flexible, and the authorizing cooperatives to sell their surpluses directly in the market.

Ross Announces Third Round of Efficiency Assemblies

FL1801150395 Havana Radio Progreso Network in Spanish 1200 GMT 18 Jan 95

[From the "First Thing" program]

[FBIS Translated Text] Cienfuegos Province has began preparations for the third round of efficiency assemblies. The province has held a plenum of the Cuban Workers Federation [CTC], chaired by Pedro Ross Leal, member of the Politburo and Secretary General of the CTC,

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

which broached the goals for this new round of efficiency assemblies, to begin on 15 February.

Finance, Price Minister Announces Improved Economy

FL2001002995 Havana Radio Reloj Network in Spanish 2034 GMT 19 Jan 95

[FBIS Translated Text] During the closing session of the national auditors' workshop in Havana, Jose Luis Rodriguez, Cuban finance and price minister, stated that Cuba has begun 1995 in better economic condition than in 1994, but that carrying out the policy needed in that area will be very complicated. Rodriguez explained that Cuba must adopt more complicated measures related to the circulation of money, including foreign capital, and must establish other budgetary mechanisms because Cuba can no longer continue to project annual deficits. Rodriguez added that it is not easy to maintain an internal financial balance, with a multiple market and two currencies in circulation. It is therefore necessary to apply measures that will allow production to be restructured, will resolve padded payrolls, and will deal with relocation of the work force. Rodriguez went on to say that there can be no incentives or salary changes if there is an excess of workers in one place and a lack of them in another and if there are people without tasks to perform.

During his address to the national auditors workshop, Rodriguez pointed out that there will be significant advances in important economic spheres and that the application of policies will be easier this year. Rodriguez added that 1994 ended with 55 percent electrical production, and that estimates indicate there will be more stability during 1995. This will allow a larger number of factories to be put into operation in Cuba. Rodriguez pointed out that Cuban nickel and sugar have been bringing better market prices, and concluded by stating that the economy will be more flexible and efficient than before, but will continue to be a socialist economy.

Vice Minister Links Advances, Economic Recovery

FL1601230395 Havana Radio Rebelde Network in Spanish 1800 GMT 16 Jan 95

[From the "National Radio News"]

[FBIS Translated Text] Raul Taladrid, vice foreign investment and economic cooperation minister, has said that 1994 marked the beginning of Cuba's economic recovery, with promising signs in 18 industrial production sectors. Taladrid told a meeting of representatives of the Latin American community in New York—organized by the House of the Americas—that even though the advances made are modest and have not meant an immediate improvement in the population's living standard, they do confirm that the crisis has reached its trough and that recovery has begun.

Military Unit 1011 Congratulated by Fidel, Raul Castro

FL1801200695 Havana Radio Rebelde Network in Spanish 1800 GMT 18 Jan 95

[From the "National Radio News"]

[FBIS Translated Text] The summing up of the work done in 1994 by military Unit 1011 in Havana ended on 18 January, with well deserved congratulations from Commander in Chief Fidel Castro and Raul Castro, second secretary of the Communist Party of Cuba, who attended the ceremony.

Raul Castro and Commander of the Revolution Juan Almeida Bosque, as well as high-ranking officials of the Revolutionary Armed Forces [FAR] General Staff visited several places including Unit 1688, the logistics battalion, the cattle genetic development center, and the military community, which is an FAR model.

Lage Tours Tobacco Plantations To Observe Rain Damage

FL1901032495 Havana Cuba Vision Network in Spanish 0100 GMT 19 Jan 95

[From the "NTV" newscast]

[FBIS Translated Text] Carlos Lage Davila, Politburo member and secretary of the Executive Committee of the Council of Ministers, toured tobacco zones of Consolacion del Sur Municipality. [passage indistinct] underscored the spirit with which the people in that municipality have confronted the work to save the tobacco and other crops.

[Begin Lage recording] This morning, we toured the tobacco crops here in Consolacion del Sur. We have seen that there was much rain, which caused some damage. Nevertheless, we believe that the efforts made to recover and to prepare the crops for the harvest [words indistinct] are less than can be expected from a storm such as this. In other words, [words indistinct] that the harvest can be a good harvest, better than the year before. We are in a position to have a better harvest than last year. The resources have been reserved. The nitrates, which should be applied after these weather conditions, have already been distributed to the small farmers, the cooperatives, and to the Basic Cooperative Production Units. We believe there is a serious effort to minimize the losses. [end recording]

Today, the Ministry of Agriculture announced several measures which as of today should become the focal point for the recovery efforts of the tobacco plantations. Among these measures is the one stating that for a tobacco plantation to be declared a loss, it must be approved by the provincial delegation of the Ministry of Agriculture. Furthermore, the Ministry of Agriculture continues to insist on the importance of planting all

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

available land, setting harvest goals for each harvester, and improving the care of the crops.

The people of Pinar del Rio are also making a great effort to save the tomato and potato crops affected by the storm.

Palmero Delivers Castro Message to Havana Workers

FL2001002595 Havana Radio Rebelde Network in Spanish 1800 GMT 19 Jan 95

[From the "National Radio News"]

[FBIS Translated Text] Commander in Chief Fidel Castro recognized the efforts of state and private agricultural workers in Havana Province who completed winter season potato and vegetable planting in record time. The commendation was delivered by Politburo member Candido Palmero during his routine tour of mixed crop enterprises in Artemisa, Alquizar, and San Antonio de los Banos Municipalities. Palmero affirmed that the province will not lose a single caballeria of its pledge after checking the progress of planting, harvesting, and levels of distribution to the public and markets. Palmero said that the banana plantations affected by the recent rains should be given constant attention by replanting the fallen plants, applying urea, and speeding up planned demolition and weeding. He also said that tobacco producing areas that suffered damage could be used in tobacco cultivation or for other industrial purposes. During the tour, Palmero also reviewed the system for transporting cabbage and announced that trucks from other territories will be used. He also announced expansion of the provincial park. Finally, Palmero highlighted the morale of the Havana growers and said there is reason to be optimistic about recovering from the serious situation the agricultural sector has been experiencing for the last two years.

National Bank Confirms Three-Peso Coins Still Good

FL1601215195 Havana Radio Reloj Network in Spanish 2036 GMT 16 Jan 95

[FBIS Translated Text] The National Bank has confirmed that the three-peso coin is still good and that it is being accepted as a form of payment nationwide just like any other coin. These coins were minted in 1992 using a combination of different metals, which has cast some doubt on its value. As a show of trust, the national and people's banks have demonstrated their willingness to exchange them freely.

State Inspectors Council To Control Self-Employment

FL1701123395 Havana Radio Reloj Network in Spanish 0307 GMT 17 Jan 95

[FBIS Translated Text] On 16 January, Havana City Province's administrative council agreed to create a group of state inspectors who will specialize in controlling self-employment activities in Havana City. During the council's meeting it was said that last year the inspectors did not fulfill their task with the desired level of efficiency because after 112,900 inspections only 4,000 fines were imposed. The council also agreed that the marketing of all types of furniture will be allowed only at the industrial and crafts markets and that the markets would take responsibility for the areas adjacent to the markets. The council also analyzed the 1994-95 school year, results of the agricultural schools, and the students' political and ideological training.

Civil Aviation To Finance Shoe Production With 1994 Profits

PA1601133895 Havana PRENSA LATINA in Spanish Havana 1647 GMT 15 Jan 95

[FBIS Translated Text] Havana, 15 Jan (PL)—Civil Aeronautics Institute President Rogelio Acevedo said today that Cuban Civil Aviation will finance—with its income—the production of school shoes, orthopedic shoes, and boots for the country's laborers.

Speaking before the plenum of the leaders of the Union of Young Communists, Acevedo explained that the agency he heads will contribute $14 million to the national economy in 1995 as a result of the profits of the companies which make it up.

Acevedo added that since 1992, Cuban air services have produced a positive balance of $29 million, a portion of which was used to renovate the Havana and Varadero Airports.

According to the information given, in 1994 the national air service also managed a profit of approximately $3 million (equal to dollars at the official exchange rate) [as received].

Santiago de Cuba Electric Plant Exceeds 1994 Goal

FL1601183595 Havana Radio Rebelde Network in Spanish 1255 GMT 16 Jan 95

[From the "Doing Radio" program]

[FBIS Translated Text] Antonio Maceo electric plant in Santiago de Cuba has achieved a stable electric production of over 300 megawatts/hour, and has exceeded the goal of ending 1994 with 60 percent of electric power available.

The plant had only 26 percent of power available at the beginning of 1994, and had days with only Unit Six in operation. The positive results are an indication of the spirited efforts of the workers to generate 64 percent of power by 31 December.

Two generating units were rebuilt to increase production, four break-downs were repaired, and good quality partial and light maintenance was provided. Work never

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

done in Cuba before took place during the rebuilding process without foreign advice, such as the rebuilding of the so called (esator) of Unit One, and the repair of damaged fans in the boilers.

Additionally, work discipline was raised, working conditions were significantly improved, and workers welfare also increased.

Roundup of Politburo Members' Activities

FL1901182395

[FBIS Editorial Report] The following is a compilation of reports on the activities of members of the Politburo of the Cuban Communist Party Central Committee monitored through 18 January.

Army General Raul Castro Ruz, Ricardo Alarcon, Pedro Ross Leal, Ulises Rosales del Toro, Alfredo Jordan, Yadira Garcia, Carlos Lage, and Juan Contino were among those present at the Turquino and Manati projects meeting. (Havana Tele Rebelde and Cuba Vision Networks in Spanish 0100 GMT 14 Jan 95)

Jose Ramon Machado Ventura has attended the closing session of the Committees for the Defense of the Revolution seminar in Santiago de Cuba Province. (Havana Tele Rebelde and Cuba Vision Networks in Spanish 0100 GMT 15 Jan 95)

Jose Ramon Machado Ventura has participated in a meeting in Pinar del Rio Province on the damage caused by the recent intense rains. (Havana Tele Rebelde and Cuba Vision Networks in Spanish 0100 GMT 16 Jan 95)

Nelson Torres participated in a meeting in Ciego de Avila Province on the first weeks of the sugar harvest. Torres praised the workers' efforts and encouraged workers to continue working toward a short and efficient harvest. (Havana Tele Rebelde and Cuba Vision Networks in Spanish 0100 GMT 17 Jan 95)

Pedro Ross Leal has participated in a meeting in Matanzas Province on the results of the second round of efficiency assemblies. Ross asked union members to end conformism and to put more effort into achieving better results in the sugarcane sector. (Havana Radio Progreso Network in Spanish 1200 GMT 17 Jan 95)

Esteban Lazo has attended an animal husbandry meeting on the Bigesimo Aniversario livestock farm, in Havana City Province. (Havana Radio Reloj Network in Spanish 2048 GMT 17 Jan 95)

Yadira Garcia has told a meeting in Matanzas Province that the days left in January are a true challenge to the sugarcane harvest workers because the harvest plan must be fulfilled, thus ensuring that the next sugarcane harvest will be much better. (Havana Radio Reloj Network in Spanish 2058 GMT 17 Jan 95)

Alfredo Hondal has participated in the Union of Young Communists (UJC) agricultural pep rally in Ciego de Avila Province. Hundreds of UJC members in the province participated in manual weeding efforts in plantain, potato, and cabbage crops. (Havana Radio Reloj Network in Spanish 0300 GMT 18 Jan 95)

Carlos Lage Davila is touring tobacco farms in Pinar del Rio Province, GRANMA reported on 18 January. (Havana Radio Progreso Network in Spanish 1200 GMT 18 Jan 95)

Candido Palmero has said in Havana Province that the magnitude of the damage caused by the recent rainfall does not discourage the people of the province. Palmero added that these damages are not a reason not to comply with the food and sugarcane production programs. Palmero stressed the efforts being made to repair these damages. (Havana Radio Rebelde Network in Spanish 1800 GMT 18 Jan 95)

Commentary Assesses 'New World Order'

FL1601234695 Havana Radio Rebelde Network in Spanish 1255 GMT 16 Jan 95

[Commentary by Eduardo Dimas from the "Doing Radio" program]

[FBIS Translated Text] Butrus Butrus-Ghali told a news conference recently that the world is more complex and difficult today than it was immediately after World War II. This could be true. Any era is complex and difficult, especially when society needs to adapt to new circumstances. This happened after World War II, when the balance of power shifted and two political systems were engaged in a so-called Cold War with all its plots and drama.

The same thing is happening today. The Cold War did not end in a world war. The losers defeated themselves: They tried to imitate former enemies and are now paying the consequences in one way or another. Nearly all of underdevelopment's evils plague Europe's own Third World: All of these countries have suffered severe economic crisis, and the people's standards of living have decreased.

Those countries' social achievements were negated as they moved away from socialism and toward capitalism via infamous shock policies that were incorrectly formulated and implemented and aid from the IMF, the World Bank, and the capitalist industrialized countries. Social diseases that were buried under propaganda for years have reemerged strong: corruption, the mafia, drug addiction, begging, prostitution, and trafficking of children. It is incredible to see just how degraded a society can become when there is a change to a system that does not promote moral values.

The socialist bloc's international role has vanished. They now follow the winners' parade: Former bloc members pretend to participate in NATO and the European Union, which can afford to make demands in return for their participation.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Russia, a nuclear power in economic crisis, suffers serious political difficulties that threaten its balance. This is the terrible result of defeat. Following the triumph's euphoria, the winners have realized that the world which they have in their hands is complex and hard to control.

The New World Order George Bush proclaimed is materializing cruelly with demands on Third World countries to take the same economic responsibility as the industrialized nations. Even food aid has preconditions. They are required to implement the neoliberal model with its privatizations and adjustments and the resulting poverty and misery of 80 percent of the people. A time bomb has been set; nobody knows when it will go off; perhaps during the next century.

The fundamental contradiction of our time, of this end of the century in which we live, is precisely the same one which has been present all along, between rich countries in control of trade and finances and poor countries dominated and dependent. If there was any aftermath to the Cold War, it is that this contradiction, which used to be considered secondary, became what it really is: the main contradiction.

However, successful nations cannot say that it is easy: there are 18 million unemployed people in the European Union; corruption is commonplace; structural economic changes cause confusion and prompt readjustment; to a greater or lesser extent, societies are becoming more unfeeling; racism and xenophobia, with all its consequences and danger, have resurfaced. The United States still faces an unemployment problem despite its relative economic bonanza, and social problems have become more serious. The reactionary concepts regarding man and society have regained strength, as indicated by attempts to control the world.

Cuba cannot escape this changing world. The Cuban economy and society must adapt to the new times. We can do this without being defeated or defeating ourselves. I am not sure whether Butrus-Ghali is right when he says that the world is more complex today, but we do not have any options. This is the world in which we live and like any other turn-of-the-century world, it is prone to premonitions, apocalyptic visions, and hope—which, fortunately, we are not lacking.

Panel Debates History-Ideology Ties

FL1901030595 Havana Radio Rebelde Network in Spanish 1700 GMT 18 Jan 95

["Straight Talk" program with guest Luis Sexto from BOHEMIA magazine and host Juan Carlos Roque Garcia—live or recorded]

[FBIS Translated Text] [Roque] This is the year of the centennial of 24 February and also Marti's death. Today we are seeking the answer to the question, Do we know our history in depth?

[Sexto] Answering this question in absolute terms puts one at the risk of making a mistake, of being unfair. Nothing is absolute in life and life proves this tenet everyday, however, I would dare to affirm that we do not know our history as well as we should. I believe this belief is supported by experience, but this is also proven by polls and sociological studies. The latest edition of BOHEMIA carries a report on a poll canvassing university students in the History Department and in other Humanities courses in the Liberal Arts School. The result was truly discouraging. A total of 171 students were polled. The conclusion is that we do not know our history as well as we and the country need us to.

[Roque] The poll canvassed only that sector of the university population?

[Sexto] Yes, only the sectors involved in the humanities. Can you imagine the results if the poll had canvassed people in the technology and sciences sectors. The Humanities sector, given the requirements of the courses, needs to know history well, and yet they do not. For example, the majority, a high percentage of those polled, did not know the date of the Baragua Uprising, something so vital to our history. Another high percentage did not know the date of the fall of Gerardo Machado, something so vital to our history this century. I believe that if you were to conduct this poll at the Technology or Science schools, the results would be even more dismal and discouraging. We have been saying for a while that there is, in fact, a vacuum in history and I believe that vacuum hurts us because it hurts, precisely, our national ideology.

[Roque] But there are reasons for all this, and they must be found.

[Sexto] Of course, there are reasons for this. I believe the reason can be that our education, for many years, overlooked history classes....

[Roque interrupting] The efforts were abandoned. I remember that in the sixties, when I was in primary school, there was a great emphasis on history.

[Sexto] Exactly: It was abandoned; I believe it became superficial. I believe History classes were presented with less creativity. The students polled complained of the boring manner in which History is taught in schools and universities. The students' interest is not fostered. It is not only that History has not played a mayor role in the lesson plans, but also that teachers have not known how to arouse the students' interest in history. I believe it is essential to arouse interest in History because history is like the identification card of a people. A people without history can be said to not be a people, what keeps a people together is history, is that looking back and recognizing oneself in the past; a past that links one to the present.

For example, I mentioned national ideology. History is part of our national ideology. By knowing our history, one understands why our country is currently engaged in this struggle....

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

[Roque] I believe that in that, precisely, lies the mistake because in the last few years, history, I believe, has focussed heavily on events prior to the Revolution rather than events of the Revolution, which are already history. In order to understand the present, one must also understand the first years of the Revolution. The youth today are unaware of the history of the first years of the Revolution and the first years of the blockade.

[Sexto] That's fine, but I do not believe we could know that. But we cannot afford to be unaware of the struggle which for almost 200 years the country has waged for its independence and social justice.

[Roque] That is the foundation.

[Sexto] These are the two recurring motifs in Cuban history. This explains, for example, our current struggle: Why in this corner of the Caribbean we are defending two basic principles, independence and social justice.

[Roque] Today we are searching for the causes of why our history is not well enough known. We are discussing the reason why so many youths nowadays do not truly know the roots of our history.

[Sexto] I believe the bulk of the responsibility lies with the schools. This is undeniable. I believe this is a mistake that is being rectified by the Education Ministry, which has many serious programs aimed at resolving this situation. I believe we have yet to attain our goals on this. This lack of knowledge also includes the principal works of the best and greatest of all Cubans, Jose Marti, the man who practically created our history, the foundation of our national ideology, which as I mentioned, is sustained upon two pillars: independence and social justice. Social justice is not an aspiration brought on by the Revolution; the Revolution gave it continuity and partly materialized the great aspiration of Cuban history: social justice. This endeavor began in the previous century, parallel with national independence. The Revolution came along to rescue these two concepts which had been suppressed in our country and which some sought to eliminate altogether. Our entire national struggle centered, from the beginning, on the defense of these two pillars and on bringing about political and economic independence and social justice, equality, and fair distribution of the wealth.

[Roque] All this was summarized on the program of the Moncada.

[Sexto] Of course. This is why today. these pillars, this axis keep us standing. What are we defending? The accomplishments of socialism, however, the accomplishments of socialism coincide perfectly with the two basic aspirations of our nation since the beginning of the 19th Century: independence and social justice. These two pillars of our history coincide with socialism. This is why socialism came about in Cuba in such a natural way. There was no need to impose it with tanks or guns as happened in other places. It came about rationally because the aspirations of socialism coincided wit the historic aspirations of the Cuban people, which as of 1959, were still unfulfilled. Everyone knows what our country was in 1959. It was nothing more than an American neocolony, in which the principles of independence and social justice were forgotten. This is why we cannot afford to not know our history.

[Roque] Particularly now during a period of crisis because it is during such periods that the people have to find strength in their history, its events, and overcome crises by means of the examples of history.

[Sexto] You are right. History right now is almost like spiritual nourishment. As Cintio Vitier, the great essayist, poet, and deputy recently said at the National Assembly: We need a campaign of spirituality, a campaign of historic spirituality because knowing our history explains why we are suffering today, why we are standing today, and why we lack certain things today. If we know our history, we understand why. We are standing, precisely, in order to not fall on our knees. If we fall, we are again going to be dragged into slavery by the heavy chain of neocolonialism; we will stop being what we are: Cubans. Our nation will stop being a free and sovereign entity.

Knowing history nourishes us spiritually, strengthens us spiritually, and thus we continue struggling to resolve material problems because we defend our history in the same measure we are capable of defending the material problems that burden us today. This is a way of defending our identity. History is our identity. This is why some in Miami, as well as some copycats here, endeavor to break down our identity, to present a different version of Cuban history, to replace the values of national defense with values that go against the nation, with values of annexationism, replacing the figure of Jose Marti with other figures that they label more practical, more pragmatic.

[Roque] This is where our role has to be become more effective in proving that Marti is ours, and our history is made here.

[Sexto] Marti is at the root of our nation. Marti justifies the nation. His doctrines, his thoughts justify our nation.

[Roque] I believe everyone should face this year of the centennial with renewed goals, not history campaigns for the sake of history campaigns.

[Sexto] Generally, such campaigns have always been empty, formalistic, and liturgical. We are opposed to that. I believe we need a vivid and enlightened view of our history. There are many vital anniversaries this year. Earlier we mentioned the centennial of the beginning of the War of Independence and the death of Jose Marti. However, this is also the centennial of the beginning of the invasion, as well as memorable battles of our history. We have to study and conduct a great and permanent history campaign, a campaign at its most agressive, its

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

deepest meaning, rather than the superficial manner which has marked our ideological campaigns on many occasions....

[Roque, interrupting] I would rather say: Most of the time. Therefore, the role of the media which has also joined in those campaigns but has not responded the way it is expected to—scientifically, in order to present history in a different way, in a way that touches the people.

[Sexto] Deeply. We need to expand the knowledge of Marti. Earlier, I meant to mention that many years ago another poll of university students showed that most students knew only Marti's Education is the Key to Freedom or the poem about the girl from Guatemala. I can affirm that there is a great lack of knowledge of Marti's work despite the many printings of his full writings, despite the papers on Marti published in this country, despite the dedicated efforts of numerous Marti scholars in this country, such as Marinelo, Vitier, and many others, even Fidel, whose thinking is grounded in Marti's writings—he said so in History Will Absolve Me. This is clear.

I believe that we have to rescue... [pauses] The year of the centennial should give us the opportunity to turn our history into the main tool for resistance, to remain independent, free, and maintain a framework of social justice in our country. We are, as everyone knows, doing things, making changes that carry risks, such as the opening to foreign capital. However, I believe this can be kept under control if history is turned into a component, a basic and vivid presence in our resistance. History is also a vital weapon under these circumstances.

[Roque] We may be poor economically, but we are rich in history.

[Sexto] I believe we have the greatest kind of wealth, moral wealth. I believe our history is the fountainhead of that moral wealth that strengthens us and which we must protect and preserve. Hence today's and tomorrow's challenge.

History makes us strong. To ignore it weakens us and that is what many would like to do—weaken us. I believe that in order to feel like a true Cuban, to feel like a true lover of this country, this moral and historic entity, we must know why we are the way we are today. In order to do this, we have to deepen our knowledge of our history.

[Roque] In short, we have to honor history.

Commentary Supports Economic Changes

FL1801175895 Havana Radio Progreso Network in Spanish 1200 GMT 18 Jan 95

[Commentary by Hector Nunez from the "First Thing" program]

[FBIS Translated Text] I believe that the economic and structural measures currently implemented in Cuba will have long-lasting consequences, and in many cases these new steps will be assimilated into our project, which will not however lose its revolutionary value. In the end, words do not determine the meaning of things.

TRABAJADORES newspaper stated recently that Cuba needs, for instance, to invite foreign investment due to its deficits in capital, markets and technology. The newspaper stated that Cuba must accept self employment as a way to provide basic services and jobs for people affected by rationalization, among other things.

TRABAJADORES added that Cuba must establish new trade mechanisms, like the farmers' and industrial markets, to boost supply; and that Cuba must also implement tax measures and a pricing policy to reduce the excess of circulating currency.

We agree, as we have stated more than once, however, I would like to elaborate further on these issues, and say that—at least from my point of view—some of these steps cannot be taken randomly but need to become part of the country's future in the end, because undoubtedly they will assure continued development, and will open the path to achieve economic and social stability.

Cuba's revolutionary project is not impaired when the country—which does not have great assets—promotes foreign investment to increase resources, open business doors, and gain experience.

Likewise, the concept of private producers, as well as self-employed or cooperative workers, do not oppose socialism—our socialism—either. These people can offer definite solutions to thousands of small problems, which were transformed into big permanent issues by excessive centralization.

Also, taxing some activities—including gradual taxing—does not take away the Revolution's merits. Furthermore, these measures can increase social wealth, support special programs, and promote social and monetary stability.

Additionally, future trade regulations based on supply and demand are not damaging, because they are ways—added to a strong official market— to increase people's options, and to give a boost to production, quality, and to the healthy effort to achieve a better standard of living, and an increased buying power.

Therefore, the measures Cuba is implementing have enduring value, which cannot be ignored due to prejudice and dogma that could lead us to isolation and decline.

Commentator Examines Decline of Financial Integrity

FL2001024795 Havana Radio Progreso Network in Spanish 1200 GMT 19 Jan 95

[Commentary by Nestor Nunez from the "First Thing" program]

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

[FBIS Translated Text] I believe that our process of transformation faces an unavoidable problem linked to the difficult situation our country is confronting. It is precisely the urgent reevaluation of an honest day's work as a way to satisfy citizens' personal and collective necessities. It is an economic, political, and ethical issue, among other things. It is a crucial, determining element, as I said before, an element to which the country's highest-ranking leaders have attributed the greatest importance.

Undoubtedly, these seriously difficult years have had their effect on decent and honest work. The forced shortages have brought about a flourishing black market, and increasing devaluation of the national currency has also played a crucial role in this. On one hand, salaries, and therefore workers have lost their power to increase their consumption capabilities and sense of well-being. The under-the-table dealing has become a means to quick money and has become almost the only way to solve shortages of basic necessities.

The devaluation of money has made people—against their will and their customs—enter into dishonest transactions to confront the dilemma and solve essential issues linked to their very existence. It is a well known fact that such transactions, when they grow uncontrollably, are a direct attack on social morals and ethics, which sanctify banditry as a way to solve basic problems.

Therefore, it was necessary to implement measures that would give strength to the national currency, along with measures that would expand the legal sale of goods and repress illegal transactions. All these measures make honest work the only way to confront the daily problems.

But this rare situation has also had other negative influences, which affect quality and quantity, in view of other expectations that require less effort. The antecedents already discussed and the problems that continue to arise from the shortages make people think of immediate solutions and set long-range goals aside. Approximately four or five youths out of 100 talk about university careers or technical specializations. The majority are inclined toward less qualified positions within sectors, such as tourism or the corporations, which offer an immediate outlet for their desire to consume. The fact that the salary of a scientist, professional, technician, or highly qualified worker is insufficient for entering a trade in foreign currency or inferior to the daily profit from the sale of a few pounds of pork or a sack of boniatos, represents a deterrent to a greater and more qualified contribution, not only because of the decline in expectations, but by the very demoralization it generates among the ranks.

As a consequence, when one talks about the revaluation of work, one alludes to the phenomenon of not only increasing wealth through a more intense effort, but of recovering the positive influence the worker should have on the country's well-being, and at the same time, increasing the quality and capacity of that effort, which is vital in taking solid steps toward the future.

Correspondents Discuss Efficiency

FL1801212395 Havana Radio Rebelde Network in Spanish 1700 GMT 11 Jan 95

["Straight Talk" program with host Juan Carlos Roque Garcia, and guest Luis Sexto—live or recorded]

[FBIS Translated Text] [Roque] Good afternoon, Straight Talk listeners. Demetrios Rodriguez Corales, secretary general of the union bureau of the Lenin Polytechnical Vocational Institute of Science, writes to Straight Talk to expressly address an important issue. In his letter, he explains that this is not a new subject, as it emerged with the so-called rectification process. I quote directly from his letter: We cannot allow ourselves to be deceived by the efficiency claims of certain enterprises. Behind their supposed efficiency, they hide their violation of other enterprises or entities and the inefficiency of the services they offer, yet themselves enjoy certain privileges within our economic, and more importantly, commercial structure. It is true that there are problems with what enterprises charge one another, and some do take advantage of others, so I think there are ample reasons to discuss it on Straight Talk. Luis Sexto from the magazine BOHEMIA is with us today.

[Sexto] Juan Carlos, a brief synthesis of the topic posed by the union comrade from the Lenin Institute must first be given. He complains about and relates a personal experience in which he was doing business in the name of the school union bureau. What occurred led him to suggest that we discuss the issue today. It seems they wanted to give a party to honor of one of the teachers and they tried to buy a keg of beer. They went to the brewery in Cotorro where they were told that they couldn't buy beer because education is not a prioritized entity. Rodriquez said he found it strange that there was no priority for such an important event as honoring a teacher, a distinguished and important figure in Cuban society.

[Roque] [chuckling] How can drinking beer be a priority?

[Sexto] Well, this is one of the things about this country. The fact of the matter is that at the brewery they didn't want to close the door on him, so they told the comrade to go to the municipal restaurant supply office in Cotorro and buy it from them. So he went there and they sold him the celebrated keg of beer. But, of course, the school had to pay 160 pesos more for it than if they had purchased it at the brewery, plus the school had to supply the transportation and personnel to pick it up, etc. That is to say that the restaurant supply office, for simply sliding a keg of beer over the counter, charged 160 pesos extra, because of course they sold it to them as if they were selling it over the counter, and the comrades from the Lenin Institute were running a restaurant. Rodriguez

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

is complaining that this is abusive and unfair; and I believe that to a certain degree he is correct. The high prices that enterprises are charging other enterprises is an ongoing problem. Remember that Fidel himself had at one time referred to this. He discussed this phenomenon in 1986 when the construction sector enterprises were charging outlandish sums for work that was often shoddy and inefficient. This is an old problem which reveals that in Cuban society, in the Cuban economy, we must not only realign or readapt things, objectives, mechanisms, but must continue putting things, mechanisms, and objectives in order. I have always said, and still maintain... [pauses] I am convinced that the rectification process has not been completed in Cuba. I think I once said to you that we could no longer say it was simply a process of correcting mistakes and negative tendencies, but must also call it the process of correcting errors, negative tendencies, and readaption. It is a twofold process; on one hand we must overcome all the mistakes we have been making for many years, namely bad habits, inefficiency, and uncontrolled activity. On the other hand, we must readapt our mechanisms to the current world situation, to the rules that the world has imposed on our country.

[Roque] Certainly, Luis, however, I think that listener Demetrios Rodriguez Corales also referred to other issues that we should address on this program as well. At the end of his letter, Rodriguez asks, and I quote: Is this abuse mechanism compatible with the turn our economy must take, or are we going to continue deceiving ourselves?.

[Sexto] Juan Carlos, in my opinion, it is not compatible with the turn the economy must take, or must not take; nor with anything past or present. It is a distorted, malformed mechanism. There is a tendency by enterprises to inflate prices expressly to increase profits, and to justify or conceal inefficiency, as Rodriguez says. This current tendency was brought to light on Straight Talk in the case of the workers cafeterias, which are trying to improve efficiency and become economically self-sufficient. It was of course pointed out that certain administrations can ascribe to the easy solution of increasing the price of lunch at the cafeterias, to compensate and become self-financed. This is not the answer, Juan Carlos. Efficiency is not achieved by raising prices; that would be absurd. I am not an expert in this field but it seems to me that efficiency is precisely producing quality goods at the lowest possible cost. If you spend a lot to produce something, you are not efficient. Of course, there are those who try to compensate for inefficiency by raising the price of the item, which is often of poor quality to boot.

[Roque] That is exactly what this is about. I quote from another part of Rodriguez' letter: The Lenin school is currently being repaired by certain enterprises, and the prices they are charging are abusively high.

[Sexto] Well, this is the same problem....

[Roque, interrupting] Allow me to give another example: He also mentions other constructive elements....

[Sexto, interrupting] I remember reading the letter when it arrived, Juan Carlos. I think this is the same problem....

[Roque, interrupting] ...another facet of the same problem, an old problem that was denounced by Fidel Castro in 1986....

[Sexto, interrupting] I know that the prices were the problem. I agree: It is the old tendency that has not disappeared, has not been corrected. It is the old tendency that seeks to remain alive and well under the current circumstances, in which Cuba is at an efficiency crossroads, an unavoidable crossroads that cannot be ignored. Certainly these enterprises have survived for years on these absurd and confusing mechanisms and uncontrolled processes. The world of business economy in Cuba is a world that is, if not murky, at least very nebulous. In Cuba, there are enterprises that sell and do not charge, and others that buy and do not pay....

[Roque, interrupting] They are called slow payers.

[Sexto] For good reason—and enterprises have lived with the effects. There are enterprises that charge other enterprises exorbitantly, overcharge them for services. These enterprises have also operated in this world, in this swamp.

[Roque] Exactly, and these enterprises that are living in this world are trying to get ahead by charging other enterprises exorbitant rates. Nevertheless, they don't realize that the real problem lies within their own organization—for example, the problem of overstaffing. An enterprise that is not profitable, with too many workers....

[Sexto, interrupting] Of course. One of the inevitable steps in achieving efficiency today is readjusting the work rosters. Everyone knows that there is a resolution that regulates this, Resolution no. 6. This is an inevitable process and the workers must understand that efficiency is achieved by this process. When two people are doing work that could be done by one, it is no longer efficient; it is counterproductive. True, some would say this could be a perfect candidate for violation, for certain abuse of power....

[Roque, interrupting] Above all, abuse of power because many are worried about how management is going to decide who to cut from the work roster.

[Sexto] If management thinks in economic terms when they reduce their work force, they will have to keep the most competent personnel. There is no room for personal preferences, for vendettas, for eliminating those who have an opinion, for eliminating those renowned quote, troublemakers, unquote—something typically Cuban, the man who speaks his mind, who doesn't put up with travesties. This happens because we are dealing with human nature.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

[Roque] Yes, the human factor, however, I think that the union should be in charge of this role, right?

[Sexto] But more than the union, it is the economic criterion, Juan Carlos; if an enterprise, if management, thinks in economic terms, it unquestionably will have to keep the most competent personnel. I think that the time will come when enterprise management will have to take measures to achieve efficiency, above-board and without the gimmick of high prices, because all this must be controlled and regulated by the country's finance and price authorities. Unquestionably, this process is coming; it is inevitable.

[Roque] Hopefully, this process will also go hand-in-hand with efficiency, not just at lower levels, but efficiency in enterprises at a national level.

[Sexto] General efficiency, Juan Carlos?

[Roque] Exactly.

Today's subject is very complex and controversial: the problem of enterprises that seek to achieve efficiency by overcharging other enterprises. In relation to this, Luis, people are talking about the recently opened farmers markets, which have been operating for about three months.

[Roque] People are questioning whether the state farming enterprises are also seeking efficiency at the expense of the prices they set in this market.

[Sexto] I don't doubt it, Juan Carlos. I think we have to change our mentality to discuss the farmers markets. We were discussing efficiency in service enterprises, the price one enterprise charges another. That is one thing; farmers markets is another because they are fundamentally governed by the law of supply and demand. That is to say that the prices at the farmers market fluctuate according to the supply available. This must be understood. I admit, I know it is natural in every market and every store in the world for buyers to always complain about prices. Everything seems expensive to those who are buying; this is a psychological mechanism that we will not be able to change, however, we must finally understand that the farmers market uses a formula that digresses from what we have known up until now in the socialist economy. It is a formula that has many market economy mechanisms; that is to say that the price of sweet potato that I buy is determined by the supply of sweet potatoes on the market. Today, prices are high, it is true; no one can deny it, however, we must also realize that they are high because Cuban agricultural production has been highly limited in the last two or three years; agricultural production in Cuba fell into a depression just as the national economy did. The volume of produce is minimal—when you look at the volume being sold in the farmers markets, you understand that it is low, far below the country's needs.

[Roque] However, many people were hoping that the few products the state enterprises have were going to compete with the, let us say private farmers, and thereby create the opportunity for differences in prices. It is true that supply and demand governs, but these state enterprises could also somewhat influence the prices; that is to say, compete with the private farmers. That is what the people were hoping would happen.

[Sexto] Yes, but the state enterprises bring a minimal amount of produce to the market, and what this is about is that the basic goal of the farmers market is to increase agricultural production in our country. If this haggling you propose begins now in the farmers market, it will discourage production under the circumstances. This is precisely about encouraging producers through prices so there is a greater supply. Prices go down only when supply exceeds demand because when I run out of money, prices will continue to be high in relation to the money I have, so long as demand exceeds supply.

[Roque] This is a very interesting subject and I propose we take it up again next week.

Commentary on Positive Results of Farmers Markets

PA1701011595 Havana Radio Havana Cuba in Spanish 0000 GMT 14 Jan 95

[Commentary by Roberto Morejon; from the "Evening Information Review" newscast]

[FBIS Translated Text] The farmers markets have been operating for more than three months now, and Cubans, in general, agree that they have been very beneficial because, although the prices of the products are still high, the markets have triggered other promising results.

Since those markets—which sell the surplus production of the private farmers, cooperatives, and firms after they comply with their commitments to the state—started to operate, there has been a gradual increase in planting activities and there is greater care to take greater advantage of cultivatable lands.

Specialists agree that the produce deficiency on the island will only be resolved with a sustained increase in production. Thus, it must be acknowledged that the farmers markets, which operate under the supply and demand system, have contributed to the production of more crops.

Many Cubans also believe that the peso has begun to recover part of the value it had lost when the markets started operating on 1 October, because, based on their financial possibilities, people can buy the products they desire at those markets. It is true that other factors, such as the elimination of gratuities that the state could no longer sustain, the increase of prices of nonessential products and several rates and services, and the gradual implementation of a tax system that enters its decisive phase this year, also influenced the recovery of the Cuban peso, however, the upsurge in the value of the national currency was more evident when the farmers markets were established. Such outlets also prompted

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

people to look for jobs, which had not been considered attractive in the recent past.

The state's budget has also benefited with the farmers markets as they have sold more than one million quintals of produce in three months. Those sales have left approximately 36 million pesos in taxes to the state and are a modest contribution to the amortization of the fiscal deficit.

For the Cubans, whose diet suffered a severe readjustment since the crisis started in 1989, the farmers markets represent an option on which they can count, according to their purchasing power. The experience has boosted deficient agriculture production and this is very important because agriculture is the basic sustenance of the Cubans and is the sector that presents the biggest possibilities of increasing in the short term and with fewer foreign exchange resources.

Inter-Caribbean Affairs

Cuba, Caricom Agree To Hold Third Meeting in 1996

FL1901232695 Bridgetown CANA in English 2208 GMT 19 Jan 95

[FBIS Transcribed Text] Havana, Cuba, Jan 19, CANA--Cuba and 13 English-speaking neighbours making up the Caribbean Community (Caricom), have agreed on an action plan for advancing cooperation in a wide range of areas. The agreement came during two days of talks under the aegis of the two-year-old Caricom-Cuba Joint Commission on Economic Cooperation, which concluded its second meeting here Wednesday.

"We made progress in the specific areas identified in the plan of action," Caricom Secretary General Edwin Carrington told reporters. "For example, technological cooperation, biotechnology, culture, human resource development, the environment, meteorology, tourism, transportation, information exchange, and information systems. We also introduced a number of new project ideas," Carrington added. "I wouldn't say we have made progress (on them) but we have tabled them and we are now taking them back to consider them. Some of these deal with things as varied as brain surgery, as well as areas which deal with construction and a number of others...."

The commission, a source of friction between Caricom and the United States, which is maintaining its policy of isolating Cuba, will hold its third meeting in early 1996. The venue will be a Caricom country to be chosen later.

Grenada

National Budget Includes Corporate Tax Concessions

FL2001140695 Bridgetown CANA in English 2153 GMT 19 Jan 95

[By Richard Simon]

[FBIS Transcribed Text] St. George's, Grenada, Jan. 19, CANA—Grenada's Prime Minister and Finance Minister, Nicholas Brathwaite, on Thursday announced tax concessions as he presented a 294 million East Caribbean dollar national budget. The budget presentation received swift condemnation from the opposition, with former Prime Minister Ben Jones and his colleague, Dr. Keith Mitchell, accusing the government of electioneering. Brathwaite, who steps down as Prime Minister at the end of January, said: "Cognisant of advice (given to the government) interest will be exempted from income (that is) subject to tax. Withholding tax on non-residents and foreign companies with respect to interest and dividends will be removed and an allowance for mortgage interest to a minimum of EC5,000 dollars per annum will be provided."

There was also good news for the corporate community as corporate tax will be reduced in two stages to the top rate charged on personal income—30 per cent. In 1994 the rate of taxation was 30 per cent on profits of EC45,000 dollars (one EC dollar = 37 U.S. cents) or less and 35 per cent on 45,000 dollars or over but the changes in the 1995 fiscal year will see a rate of 30 per cent across the board. "The unification of the top rate of tax on personal and corporate income will make the tax system neutral with respect to ways of doing business and is in keeping with the best practices and current trends in tax reform and tax administration," Brathwaite said.

One of the areas also affected by the 1995 budget is a decrease in the real property tax. The tax is expected to yield just over four million dollars.

According to Brathwaite, Grenada's national debt was estimated at EC375 million dollars with EC20 million dollars in arrears of contributions at the end of 1994.

The government projects EC95 million dollars in capital expenditure and EC199 million dollars in recurrent expenditure.

Catering for what the government says will be the large number of capital projects planned for 1995, EC45 million dollars was budgeted to the Ministry of Communications and works.

Next in line was Education, with EC38 million dollars, Health with EC26 million dollars and Agriculture and Fisheries with EC21 million dollars.

Haiti

MINUHA To Assume Multinational Force Command 31 Mar

FL2001010495 Port-au-Prince Signal FM Radio in French 1130 GMT 19 Jan 95

[FBIS Translated Excerpt] The transfer of the multinational force command in Haiti to the United Nations should occur at the end of March, according to an 18 January statement by the State Department, which

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

believes the situation in Haiti has become safe and stable. The situation in Haiti has considerably improved since the U.S. intervention in September. According to the commander of the multinational force, there is now a safe, stable climate in Haiti. We expect the other member countries of the mission, of the multinational force to recommend this week that the UN Security Council authorize the transfer, State Department spokesperson Christine Shelly stated. The Pentagon has anticipated that the official transfer of command to the United Nations would take place by the end of the second fortnight in March, Shelly further stated, adding that U.S. troops would represent no more than half of the UN Mission in Haiti [MINUHA], which is to total 6,000. [passage omitted]

UN Secretary General Butrus Butrus-Ghali said that the situation in Haiti has improved considerably since the U.S. intervention in September. Butrus-Ghali has proposed that his organization take over from the current U.S.-led multinational force on 31 March, on the basis of consultations with Washington and new potential contributors of troops and policemen. I think that MINUHA will be able to take over on 31 March or so, Butrus-Ghali wrote in a report to the UN Security Council, which should be published today... [corrects himself] yesterday in New York. [passage omitted]

CEP Projects Elections for 3 Months After Law Approval

FL2001013595 Port-au-Prince Signal FM Radio in French 1130 GMT 19 Jan 95

[Report by Louis Mercier Bellevue on news conference by the Provisional Electoral Council, CEP, in Port-au-Prince on 18 January]

[FBIS Translated Excerpt] The Provisional Electoral Council [CEP] held a news conference on the electoral issue on 18 January. The elections, they said, are scheduled to be held three months after publication of the electoral law, with a budget of around U.S. $8 million. The CEP members demand urgency for the electoral law that was delivered to the Parliament. The following is a report by Louis Mercier Bellevue.

[Begin recording, in Creole] [Bellevue] About three months after ratification of the electoral law, the CEP will hold elections in Haiti with a budget of around U.S. $8.2 million. The funds have been promised by USAID, France, Canada, and the Haitian Government. This statement was made by CEP members on 18 January during a news conference at CEP headquarters in Pacot. According to CEP President Anselme Remy, they are now facing various logistical and material problems. While pointing out that steps are being taken toward the recovery of former CEP materials, which are now in the hands of certain individuals, Attorney Anselme Remy said that they are concerned with other issues related to the country's elections. [passage omitted]

With regard to the money needed to hold the elections, CEP member Gerard Innocent said USAID has promised to finance half of the CEP's budget, about U.S. $7 million. The Canadian and French Governments have promised contributions. The Haitian Government has pledged 10 million gourdes. Some of the promises have already begun to materialize. Let us listen to Innocent.

[Innocent] USAID promised U.S. $2.7 million; Canada pledged U.S. $1 million; France, U.S. $1.5 million; and the European Union, U.S. $3 million, for a total of U.S. $8.2 million. The Haitian Government promised 10 million gourdes. So far, only two of those commitments are firm: The ones from USAID and the Government of the Republic.

[Bellevue] When asked about a timetable and unfolding of the elections, the CEP members said they would occur about three months after publication of the electoral law but that all structures would be set up in the meantime. Even though the mandates of some parliamentarians have expired, the CEP members do not believe the elections can be held quickly. The CEP said they were going to work under pressure... [repeats himself] they are not going to work under pressure, and that they will take whatever time is required for the holding of credible, honest elections, with respect for the Constitution and implementation of Article 291. They said they are not going to speculate on what candidates will run. [passage omitted]

Deputies Stop Budget Work To Question Executive Letter

FL2001013695 Port-au-Prince Radio Metropole in French 1700 GMT 19 Jan 95

[FBIS Translated Text] The work on the budget, which resumed on 17 January following submission of the electoral bill by the head of government, has again been suspended. The deputies assert that they have received a letter from the executive, the terms of which are not well understood by them. They request an explanation. Let us listen to socialist Deputy Mac-Ferl Morquette, vice president of the lower chamber.

[Begin recording, in Creole] [Morquette] It is not exactly that we have stopped working, but we want to make sure that our work is not being jeopardized by dispute and irregularity. While we were in session yesterday, President Monde received a letter from President Aristide, which stated that the executive was sending a bill to the Parliament, a bill that institutes a series of new ministries, including a Ministry of Haitians Abroad. This letter contained terms that prompted us to stop. It said that it is sending us this bill with all reserve, since the Parliament had stated that its mandate would not expire on the second Monday of January, but rather on 4

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

February, the date on which the Parliament had taken its oath. We must be cautious. We must speak with the executive—since the executive is responsible for state continuity—to reach an agreement so we can continue working on the budget vote and on all the other laws. I must mention to you, Rothschild, that the electoral law was not mentioned during the 24 September [as heard] convening of the special assembly by President Aristide, but for this law that he just sent us, he took the time to mention and add this law to a series of laws that were part of the 24 September convening.

[Reporter Francois] Deputy Morquette, when do you expect to meet with the executive so you can resume working, especially on the budget vote and the electoral law, which everyone is expecting?

[Morquette] We had a meeting in camera this afternoon and many opinions were expressed. One was to write the executive a letter—I think this letter was sent yesterday afternoon. Others believe we must meet with the executive to clarify the situaiton so that based on an agreement, a compromise can be found so we can continue working on the vote of the laws during the next two weeks. So we have not exactly stopped. We want the executive and Parliament to agree so that we can continue our work so that what we do is not damaged by dispute and irregularity.

[Francois] So you have stopped working temporarily?

[Morquette] It means that if we receive an answer today, we will continue working today. We can then decide to be on duty so that within two weeks we can vote on all the laws that come to us. [end recording]

Government Spokesman on Work Stoppage

FL2001023095 Port-au-Prince Radio Metropole in French 1700 GMT 19 Jan 95

[FBIS Translated Text] We just spoke of the deputies who suspended work on the budget and the electoral law. They assert that they received a letter from the executive, the terms of which they did not understand. This letter pertains to the expiration of the 45th Legislature's mandate. We now have the reaction of the government following suspension of work in the lower chamber:

[Begin recording, in Creole] [Government spokesman Neptune] The presidency received the news, just as the Haitian population received the news, and we hope that the parliament will resume its participation in the process of democratization, which is still in a transitional phase.

[Unidentified reporter] Have you tried to get in touch with them to understand their reasons and to find out when they would resume work?

[Neptune] I cannot comment on that because I am not aware of the decisions made or the position taken by the presidency. I am almost certain that the presidency will analyze the news to find out about the situation.

[Reporter] But if their mandate expired on 9 January, is it not normal and logical that they should stop working?

[Neptune] It is not a question of the presidency believing that their mandate is over. The presidency and I repeat once again—although it is only expressed verbally—what the 1987 Constitution provides for. [end recording]

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Minister: Sovereignty Not Involved in Talks With U.S.

PA1901231595 Mexico City NOTIMEX in Spanish 2047 GMT 19 Jan 95

[FBIS Translated Text] Washington, 19 Jan (NOTIMEX)—Mexican Foreign Minister Jose Angel Gurria warned here today his government will not permit in any way the violation of the country's sovereignty in the negotiations with the United States on the package of credit guarantees.

In an interview with NOTIMEX, Gurria said: "First, we will never allow Mexico's sovereignty to be touched."

The diplomat believes it is of vital importance for the White House and Congress to conclude defining the package so it can be approved immediately. "The sooner they do so, the better," he said.

He also said the topic of Mexico's sovereignty is "obviously" not involved in the negotiations between the U.S. executive and legislative branches to define the package of credit guarantees for up to $40 billion. The Mexican foreign minister, who will hold a series of meetings with U.S. legislators and officials on 19 January, denied his government is participating in these negotiations.

"The only thing we are doing now is raising certain particulars that will permit them to continue the negotiations," he said.

The government of President William Clinton is persuading the leadership of the U.S. Congress of the two parties to conclude as soon as possible the negotiations on the package in order to obtain its prompt approval.

Certain committees of the U.S. Congress are reviewing the draft law to support the program of credit guarantees in support of President Ernesto Zedillo's Economic Emergency Plan.

According to the foreign minister, the intensity of the negotiations is such that the draft law changes according to the process of the negotiations.

"I do not believe it is wise to speculate, but things have been going well up to now," Gurria said.

According to the foreign minister, some U.S. legislators want to impose conditions on Mexico on certain topics such as immigration. "Relations are quite intense between the two countries. There are hundreds or thousands of topics," Gurria added.

Legislators: U.S. Conditions for Aid Unacceptable

PA2001025495 Mexico City LA JORNADA in Spanish 19 Jan 95 p 3

[Report by Nestor Martinez and Ricardo Aleman]

[FBIS Translated Text] Legislators of the Institutional Revolutionary Party [PRI], the Party of the Democratic Revolution [PRD], and the National Action Party [PAN] agreed yesterday the conditions the United States is trying to impose on Mexico in exchange for financial assistance are unacceptable.

Carlos Sales Gutierrez, president of the Senate Finance Commission, said that the Mexican Government cannot accept the conditions and that "fortunately, U.S. assistance is not the only available option to solve the Tesobonos [Treasury Bonds] problem."

The PRI legislator said the U.S. Congress "will independently decide what is best for its country and will decide within that framework how to help Mexico. We will wait for them to decide on the issue, and we will then decide whether we accept under those conditions."

Nearly 20 PAN deputies staged a protest march in front of the U.S. Embassy at the same time, this afternoon, condemning the "Draconian conditions" Washington is seeking to impose on Mexico in exchange for financial assistance.

The PRD deputies were still evaluating up until last night the likelihood of issuing a public statement condemning the U.S. terms.

Luis Hector Alvarez, a PRI senator and former national leader, expressed his opposition to having crude serve as the guarantee the Mexican Government must grant the United States in exchange for credit assistance. Alvarez said crude is a part of the country and its sovereignty, the reason why he expressed his opposition to the U.S. proposal.

Although he acknowledged he was unaware of the 16 conditions the U.S. Congress is weighing to impose on Mexico, Alvarez said we must prepare for the worst, because "the United States has been coveting our oil for a long time."

Senate PRD Coordinator Hector Sanchez Lopez said Washington's conditions "are simply inadmissible." Mexico should not even sit at the negotiations table if such conditions were to be proposed formally, "because sovereignty is nonnegotiable" according to Sanchez Lopez.

Sanchez Lopez said he is not surprised by the U.S. attempts to intervene in Mexico's internal decisions. "The United States, the senator said, has consistently managed to pressure our country on numerous occasions and moments."

Concerning crude, Sanchez Lopez said the issue is nonnegotiable although he did say it will be one of the most controversial points that will arise during talks with the United States. "They are not interested in old junk by Pemex [Mexican Petroleum]. What they have really been after for years now is to ensure a significant reserve of crude in order to guarantee a sufficient supply in the future," he said.

Finally, PRI Senator Carlos Sales said it would seem there is no clear negotiation so far on how foreign credit

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

assistance will be obtained. He also said "numerous problems" can be detected by resorting to crude as a guarantee.

"If we proceed in this manner, he added, crude would then have to be incorporated to all loan contracts, because we would be establishing a clause stating that anytime there are credit contracts, crude oil guarantees must be accorded to the rest of the contracts. It would be preferable to wait until we have been advised about the conditions."

Congress Approves Ambassador to U.S.; Envoy Comments

PA2001000495 Mexico City Radio ACIR Network in Spanish 0000 GMT 19 Jan 95

[Report by Elvia Moreno de la Vega; from the "Evening News Panorama" newscast]

[FBIS Translated Text] [Anchorwoman Katia Valentina Oberon] The Congress of the Union today approved Jesus Silva Herzog as Mexican ambassador to the United States. We have a report by Elvia Moreno:

[Moreno] After being approved by the Congress of the Union as Mexico's ambassador to the United States, Jesus Silva Herzog said it will be difficult in the short term to regain the trust of foreign investors in Mexico. He said the political agreement signed by the country's four major parties will help increase credibility not only domestically but also abroad.

Nevertheless, the new Mexican ambassador said the political agreement alone will not guarantee all the objectives sought, given the interaction of other factors is also required.

Silva said his responsibility in the neighboring country will be to ensure that, above all, Mexico's interests and sovereignty will not be undermined despite the difficult economic and financial situation through which Mexico is going.

Referring to the credits being arranged overseas to help Mexico overcome the current crisis, Silva said his mission will be to accurately explain the truth about Mexico's situation and to outline all possibilities as well as limitations so as to regain the confidence of investors:

[Begin Silva recording] It involves a complex task that most certainly will not effect results in the short term, but the ambassador undoubtedly has an important mission to fulfill in conveying Mexico's image to the various players of U.S. society, such as government officials, members of Congress, investors, bankers, and intellectuals. It also involves explaining the reasons why we fell into the problems plaguing us, our agenda to overcome these problems, the possibilities and limitations, and addressing all issues realistically, the only way we will be able to persuade and recover the country's credibility, which, undoubtedly, has been undermined. [end recording]

The new Mexican ambassador to the United States said U.S. loans to Mexico are intended to safeguard the stability of the international financial system, a point which will help solve Mexico's problems in turn.

Silva said, however, it is quite possible there could be an increase in the flow of immigrants to the United States considering the country's difficult situation.

It is worthwhile to mention that Silva's approval as Mexico's ambassador to the United States by the Permanent Commission of the Congress of the Union was challenged by the Party of the Democratic Revolution [PRD].

Jose Guadarrama, an Institutional Revolutionary Party senator, has said Silva's appointment represents a credible contribution to Mexico in light of the economic crisis the country is confronting, given his vast economic experience, which he will contribute to all negotiations on NAFTA with the United States.

PRD Deputy Leonel Godoy has said, however, it is necessary to end the practice of appointing fleeting ambassadors [embajadores golondrinos] who are unable to secure a position in the cabinet and are rewarded instead with a post in the Mexican foreign service.

PRI Issues Communique on Tabasco Situation

PA1901150795 Mexico City XEW Television Network in Spanish 0430 GMT 19 Jan 95

[From the "24 Hours" newscast]

[FBIS Translated Text] An hour ago, the PRI [Institutional Revolutionary Party] national leadership released a communique on the political situation in Tabasco. PRI President Senator Maria de los Angeles Moreno stated her party's position on the political conflict in Tabasco State. She said Roberto Madrazo's victory in the 20 November gubernatorial election was legitimate. The PRI official added that groups from other political parties have been illegally obstructing the Tabasco government's work since Madrazo was sworn in as state governor.

[Begin Moreno recording] Confronted with such circumstances, the PRI National Executive Committee [CEN] states that the sovereign will of the people of Tabasco and the legitimacy of the constitutional state must be respected. Consequently, the CEN reiterates its firm political support for Roberto Madrazo, the constitutional governor of the state, as well as its support for the PRI organization in that state. [end recording]

The PRI president added:

[Begin Moreno recording] The Tabasco governor and the honorable state congress are the ones authorized to take

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

the actions they deem necessary to comply with the state's constitution. The CEN will definitely respect the decisions made by Tabasco voters in full exercise of their sovereignty. [end recording]

In the communique, which Moreno read to media representatives, the PRI president urged Tabasco PRI members and the other political forces in the state to resolve their difficulties through peaceful means.

PRI Deputy Comments

PA2001034795 Mexico City Radio ACIR Network in Spanish 0000 GMT 20 Jan 95

[Telephone interview with Cesar Raul Ojeda Zubieta, PRI deputy for Tabasco State and coordinator of the Federal Tabasco Deputies' office in the Chamber of Deputies, by Jose Cardenas; Ojeda's location not given; from the "Evening News Panorama" newscast—live]

[FBIS Translated Text] [Cardenas] Good afternoon, Mr. Deputy.

[Ojeda] Good afternoon, Pepe, and thanks for this opportunity to address your large audience.

[Cardenas] Mr. Deputy, what do the Tabasco deputies think about this situation? You, the deputies, have said you will not accept any negotiation that ignores the voters' resolve; that is, you will not make any concessions, as some political columns have labelled it.

[Ojeda] Our position is precisely the same as that of most people in Tabasco. We realize that Tabasco is at a very significant turning point: The largest diversity of electoral preferences has been shown, and there was an obvious winner recognized by all institutions and reflected by those citizens who took to the streets to demand that their vote be respected. They do not want to negotiate the resolve shown by the majority for the sake of a better situation.

In that regard, not only Tabasco federal Deputy Oscar Canton Cetina and Senator Antonio Leon, but all of us—Jose de la Cruz Martinez, Francisco Peralta Agudelo, Carlos Mario De la Fuente Lazo, Humberto Mayan, Hector Arguello, Arcadio himself, and yours truly—remain firm in our position, along with our companeros and fellow state citizens, to see that their resolve is respected.

With all due respect, I disagree with those who believe that in a situation of this nature, when the citizens' resolve was clearly demonstrated at the voting tables, that there are no winners and losers. This is not a violent struggle or anything like that. Some win and some lose in a democratic process. The only thing we are demanding is respect for the undeniable victory of our candidate, Roberto Madrazo Pintado.

[Cardenas] Deputy Ojeda, people are talking about a rebellion in Tabasco, a rebellion headed by PRD [Party of the Democratic Revolution] supporters. Was this rebellion prompted by Governor Madrazo?

[Ojeda] Absolutely not. If this civic movement has a particular feature, it is precisely that it is a spontaneous expression; it is the demand by citizens who want us, their representatives, to make the autonomy and sovereignty of our state valid in principle.

[Cardenas] There are those who said that to defend themselves from a situation or a decision made by the center [as heard], the Tabasco governor turned the dogs loose.

[Ojeda] Not at all. In principle, I do not like—with all due respect—the epithet of dogs...

[Cardenas, interrupting] No, no. I am not referring to anyone in particular...

[Ojeda, interrupting] ...in the figurative sense, my dear Pepe. If this decision shows something, it is that we, the PRI [Institutional Revolutionary Party] supporters, are determined to keep fighting within the legal and factual arena to exercise our rights. I believe a number of unfortunate situations have occurred throughout the country, situations that have led to this unhealthy custom of making demands while attempting to get some sort of benefit that is not entirely the benefit that citizens have demanded with their votes. The Tabasco PRI system took the leadership and first demanded that the national leadership support us, as fortunately was the case, in an unrestricted fashion and by legitimately defending this majority group of Tabasco citizens who opted for the choice represented by the project drafted mainly by President Ernesto Zedillo and, in the state arena, by Roberto Madrazo Pintado.

[Cardenas] Thinking of civilian society, Mr. Deputy, is the PRI acting in defense of the constitutionality of the governorship of Roberto Madrazo by resorting to the arms of protest and violence that the PRD used to challenge the elections?

[Ojeda] They are not arms of violence, because our movement, the civic movement, is peaceful. Unfortunately, there were one or two isolated—let me emphasize this—isolated incidents that we are sure were circumstantial and in no way reflect our party's attitude.

On the other hand, in this vicious circle of elections, demands, and concessions, if the Tabasco PRI system said that it wanted us to take to the streets and measure the resolve of this majority by closing roads and staging sit-down strikes, we know how to do it. That, however, is not our objective. Obviously, as some decision to threaten to violate the resolve of the Tabasco PRI followers is about to made, we also have methods of struggle that could seem similar. What moves us is knowing that we were the legitimate winners of the 20 November elections.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

[Cardenas] Some members of the PRI have said that if the will of the people of Tabasco is not respected, they will resign en masse from the party. If the pressure continues, will the PRI membership be willing, through the state Congress, to break the federal pact? That would be serious.

[Ojeda] I share their first assertion. If we are not capable of defending the votes which the citizens conferred upon us, there is no reason why we should be members of a party that does not support us. I say this with all due respect. Fortunately, Pepe—I must point this out—this idea has been dismissed; first, because of the decisive support the National Executive Committee [CEN] has given Tabasco's legitimate governor, Roberto Madrazo Pintado. I had personally supported that confrontational position, but obviously, in view of the CEN's decisive response, mass resignation is no longer even being considered by PRI members in Tabasco. We know we have support because we won legitimately.

As for the second assertion, Pepe, with all due respect, I believe it was unfortunate, and I disagree with the person who made it. Tabasco is not trying in any way to harm the federal pact. The only thing Tabasco is asking is that its autonomy and sovereignty not be harmed. I do not believe there is any problem with this, nor do I believe that assertion came as a result of a consensus among Tabasco's PRI membership or citizens.

[Cardenas] Deputy Ojeda Zubieta, this is a time of political erosion. Last night, PRI national leader Maria de los Angeles Moreno asked the PRI membership to be sensible, adhere to the law, avoid provocations, and, of course, violence. Moreno publicly announced her full support for Roberto Madrazo Pintado with regard to the constitutionality of his governorship. One day later, however, the news media is under the impression that Moreno's call for good sense was not very effective because the PRI protests continued today with blockades, closed stores, and closed schools. Has the PRI's leadership eroded?

[Ojeda] On the contrary, I believe our protests constitute tangible proof that respect is not being demanded only by active PRI members but by citizens who feel that their rights have been violated by an attempt to change the decision they made at the polls.

I also—and thanks, Pepe, for giving me an opportunity to say this—urge my countrymen to take to the streets spontaneously, with the dignity and strength which they have exercised thus far, and which has set an example for the republic on how to defend a legitimate victory in a civilized manner. We must support Governor Madrazo Pintado and be willing to talk with any sector that understands that under pressure, at least in Tabasco, there will be no negotiation against the will of the majority.

[Cardenas] Deputy Ojeda Zubieta, has Governor Madrazo waited too long to appear before the people of Tabasco?

[Ojeda] Not at all. Governor Madrazo has been sensible and respectful. The only thing he is doing, precisely in the same decisive vein in which he has performed for many years in Tabasco, is to reap the clear support of most of the people of Tabasco. Madrazo Pintado is the legitimate heir to a liberal tradition in our state, and his behavior is consistent with his past. He will, of course, have our support in achieving the promising future that Tabasco will certainly have under his leadership.

[Cardenas] Deputy, I thank you for your time and for this nationwide conversation with Radio ACIR's listeners.

[Ojeda] Thanks to you, Pepe; and thanks for the coverage and for your objective narration of events in Tabasco.

[Cardenas] That is what we are trying to do. Thank you, Deputy.

[Ojeda] Thank you.

[Cardenas] See you later.

[Ojeda] See you later.

Government Secretariat Urges Tabasco Dialogue

PA2001014995 Mexico City Radio ACIR Network in Spanish 0000 GMT 20 Jan 95

[Report by Juan Carlos Escobedo; from the "Evening News Panorama" newscast]

[FBIS Translated Text] The Government Secretariat issued a document this afternoon denying rumors of alleged negotiations between the PRI [Institutional Revolutionary Party] and the PRD [Party of the Democratic Revolution] over the Tabasco State governorship and urged those parties to begin talks immediately to find a political solution to the postelectoral conflict that is jeopardizing social peace.

Government Secretariat Spokesman Arturo Durazo released the document after 1700 today. The secretariat based its action on the powers conferred upon it by federal administrative law to direct the president's foreign policy and his relationship with state governments. The Government Secretariat clarified that talks have been held with Tabasco authorities, the PRI, and the PRD, to prevent clashes between the people of Tabasco, which would jeopardize stability in the state. Because of the importance of this document, we will listen to the main part of what Alfonso Durazo Montano read:

[Begin Durazo recording] A number of groundless rumors and speculations have been spread about the results of this effort. We categorically reject those rumors. It is essential to recognize that rumors and rallies in Tabasco State emphasize the political conflict there, something which deeply concerns the federal government. Events in that state are cause for concern, and civilian confrontations can have irreversible consequences.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

That is why the Government Secretariat urges the PRI and PRD to begin talks to work out their differences and avoid confrontations among the people of Tabasco. In order to move ahead toward the negotiation of a definitive political solution, it is essential that leaders of these groups make a commitment to nonviolence and mutual respect. Rallies and economic paralyzation of the state are obstacles to good administration. They particularly harm the state's economy and negatively affect society and the tranquillity of its inhabitants.

The Government Secretariat, convinced that dialogue, tolerance, and respect are the political instruments the country demands to resolve conflicts, urges all sides to look for a solution that takes into consideration the sentiment and hopes of all the people of Tabasco and which allows that state to return to normal coexistence and to resume the tasks that are essential to its economic and social development.

The political solution to the conflict should come from all those involved in Tabasco according to the principles of legality, fairness, and mutual respect. Thank you very much. [end recording]

That was Alfonso Durazo Montano, spokesman for the Government Secretariat. That was the message, and now we wait for the political parties invited to talk to reply to this document.

Legislators React to Conflict in Tabasco

PA2001040095 Mexico City Radio ACIR Network in Spanish 0000 GMT 20 Jan 95

[Report by Marisela Palacios; from the "Evening News Panorama" newscast]

[FBIS Translated Text] Legislators from the PRI [Institutional Revolutionary Party], the PRD [Party of the Democratic Revolution], and PAN [National Action Party] have said they will not accept any solution to the post-electoral conflict in Tabasco if it is not in keeping with the legal framework. They also have said they will fight to have state sovereignty respected so as to prevent decisions by the central government from being adopted.

PRI Deputy Cesar Raul Ojeda Zubieta has said if something has hurt his party in the past it has been post-electoral conflicts. He has said it would be wrong to think the national political agreement could change the will of the people of Tabasco. He has said the possibility of granting leave of absence to Tabasco Governor Roberto Madrazo Pintado has been ruled out in view of the evident show of support for him in the state. Ojeda Zubieta, who is also coordinator of the group of Tabasco deputies, has said we cannot negotiate with those who claim victories they did not win in the polls. He has said the PRI people in Tabasco want peace and calm, not violence.

PRD Legislator Roberto Robles Garnica has said that a step backward in politics has been taken in Tabasco and that the state of Tabasco is facing the risk of disorders. He has said the national political agreement signed by the four most important political forces in the country was violated only 24 hours later by the national PRI leader, Maria de los Angeles Moreno, when she read her party's position on the situation in Tabasco:

[Begin Robles recording] We moved backward today, because it had already been mentioned during the previous weeks that the talks at the state government were aimed at finding a solution, but the results show there was no such solution. What happened yesterday was truly regrettable. It is regrettable to see that the president of the PRI has taken a step backward in what she had signed the previous day. [end recording]

Robles Garnica has said that a step backward was taken in Tabasco and that Maria de los Angeles Moreno and Tabasco Governor Roberto Madrazo do not make decisions by themselves if they do not get the green light.

Meanwhile, PAN Congressman Arnulfo Cueva Aguirre has said solutions imposed from the central government should not be accepted, because this move would set a precedent to violate the sovereignty of states in future elections.

There were also reactions from the private sector, particularly from Luis German Carcoba Garcia, president of the Business Coordinating Council [CCE]. Business leaders have asked the federal government to explain what is going on in Tabasco so as to put an end to the climate of uncertainty that is being experienced in that state, uncertainly which could have national repercussions. Interviewed at the end of the meeting of the Pact for Well-Being, Stability, and Growth, Luis German Carcoba Garcia has said the situation could become more serious while the possible resignation of Tabasco Governor Roberto Madrazo Pintado is not fully explained. Let us listen:

[Begin Carcoba recording] We hope the situation will be clarified. The information we have about the situation in Tabasco is that it all emerged, because a rumor was spread. They did not even know whether the report was true. [end recording]

Carcoba Garcia has said solutions will be found to iron out differences and to avoid these post-electoral problems from emerging in the future with the new national political agreement signed by the four most important political forces of the country.

Finally, Carlos Romero, secretary general of the Trade Union of Petroleum Workers of the Mexican Republic, has called on the Government Secretariat and political parties involved in Tabasco's post-electoral problem to find a solution to that conflict as soon as possible and to prevent strategic areas, such as Pemex [Mexican Petroleum], from being adversely affected. Romero has said that the blockade of Pemex installations by PRD followers in Tabasco has caused the loss of millions of pesos

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

and that the operation of a vital industry is being obstructed. Romero, who is also senator for Hidalgo state, has said the risk of an accident in the installations is always present in view of this situation in Tabasco:

[Begin Romero recording] There is a risk. The maintenance and operation of the installation is at risk due to these types of incidents. It could lead to accidents. [end recording]

On the country's oil exports, which could be given up as a guarantee to receive a new loan from the United States, Carlos Romero has said the workers do not know how such negotiations are taking place.

Zedillo Promotes Plan To Hike Foreign Investments in Banks

PA2001153795 Mexico City UNOMASUNO in Spanish 18 Jan 95 p 7

[Report by Jorge Octavio Ochoa—words in italics as published]

[FBIS Translated Text] In order to promote the capitalization and competitiveness of the Mexican financial system, to guarantee the solvency of financial institutions, and to protect people's savings, President Ernesto Zedillo yesterday sent to the Chamber of Deputies a draft decree to permit foreign investors to purchase up to 49 percent of common stock in Mexican banks, brokerage houses, and holding companies.

With this proposal, the government intends to promote "strategic alliances" between national investors and foreign financial institutions and to permit the opening of foreign bank branches in Mexico. According to the draft decree, which was presented to a special session of the Chamber of Deputies, these alliances will be achieved through a realignment of the common stock of these institutions.

However, to prevent fraud, such as shareholders making loans to themselves, the presidential initiative is designed to tighten the regulation of credit the banks grant to their shareholders and others associated with them.

In addition, to prevent "unhealthy" banking practices, multi-purpose banking institutions [instituciones de banca multiple] will be banned from investing in the securities of corporations that, in turn, hold shares in these banks or in partnerships whose assets are in some way connected to these corporations.

Furthermore, the amendments to the banking and financial laws were drafted to strengthen the administration's involvement and to create a management oversight office in holding companies of financial groups to give authorities better instruments to oversee the interests of bank clients.

In short, the executive branch is proposing that the common stock of financial groups and multi-purpose banking institutions comprise only type "A" and "B" shares, which represent at least 51 and 49 percent, respectively. As far as brokerage houses are concerned, the maximum percentage of type "B" shares would be increased from 30 to 49 percent of common stock.

Mexicans will be able to hold type "A" shares and foreigners will be able to hold type "B" shares, thereby allowing the latter to hold up to 49 percent of the common stock of a bank, brokerage house, or holding company. Under this new common stock scheme, the existence of type "C" shares becomes necessary for banking institutions and holding companies.

These modifications, the executive branch explained, will provide the additional benefit of reducing the range of stock quotations of the many types of shares issued by the same corporation.

Similarly, the maximum percentage of type "L" *neutral capital* [capital neutro] shares that a financial group, multi-purpose banking institution, or brokerage house can issue is being raised to 35 percent of common stock, according to the plan. Brokerage houses also will be authorized to issue bonds which must be converted into shares.

The decree also increases the ceilings on individual shares held in the aforementioned corporations to 20 percent of common stock, if the Finance and Public Credit Secretariat [Secofi] authorizes such a transaction.

With regard to investments made by foreign financial companies, Secofi could authorize higher ceilings on individual shares to allow institutions comprising mostly Mexican capital to be able to become subsidiaries of those foreign companies.

In addition, Secofi is proposing to reduce from 99 percent to 51 percent of the stock a foreign financial institution can own in a subsidiary that is a holding company, a multi-purpose banking institution, or a brokerage house, thereby fostering a larger number of "strategic alliances" between national and foreign investors.

The common stock of subsidiary holding companies will comprise type "F" shares, which will represent, as was previously mentioned, at least 51 percent. The remaining 49 percent could jointly or separately comprise type "F" or type "B" shares.

Zedillo Proposes Privatization of Railroads, Satellites

PA2001005595 Mexico City EL FINANCIERO in Spanish 17 Jan 95 p 29

[Report by Victor Gonzalez]

[FBIS Translated Text] Almost 12 hours after they were regarded as strategic areas and, thus, reserved for the state, railroads and satellites will be privatized to make them become a lever for national development due to the creation of a modern infrastructure.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

To do so, the president of the republic, Ernesto Zedillo Ponce de Leon, has sent a draft bill to Congress to reform the fourth paragraph of constitutional Article 28.

The head of state has proposed that the private sector be able to participate through concessions in the placement, operation, and exploitation of satellites. He has said, however, orbital positions and their corresponding frequencies will remain under state control. In addition, the state will keep the availability of the satellite capacity for national security networks as well as the offering of such social services as rural telephone networks and long distance educational instruction.

Furthermore, other countries will be allowed to borrow satellite services after an authorization is granted, and satellite transmissions will be forced to strengthen cultural values and symbols of national identity.

On the privatization of railroads, "which is an issue that does not conflict with what has been done in the past," President Zedillo has said the production of the transportation system, where railroad transportation is farthest behind, could be entirely increased, thus contributing to the modernization of the domestic trade, only through its necessary reorganization.

As he explained these reasons, Zedillo recognized this initiative falls within the need to be clear about the course to take and to respond to the current situation.

While demanding the consolidation of what has been achieved so far, he said "these difficult times will not be confronted by reversing the major changes the country has made."

As he listed the reasons why the government has decided to privatize railroads, "the lever of development, territorial integration, and national culture," he said the permanence of this sector as a strategic area for the state is difficult to explain in view of a climate allowing open and competitive alternatives to the transportation sector.

President Zedillo insisted it is imperative nowadays for development and welfare to change the railroad sector and to make it an activity that will offer not only the services it is able to offer but also the services the country is demanding.

We need to promote its modernization, to increase its production, to update its technology and the quality of its management, and, especially, to guide it toward the needs of a more complex market that has close international ties.

He also has said the growing integration of the economy into world trade and investment flows demands the creation of a transportation infrastructure which will foment the competitiveness of the manufacturing and trade industries through an efficient exchange of goods and which will help the growth in national development. Reorganization of the railroads is necessary to modernize domestic trade and is a key element to thoroughly increase the production of the transportation system.

Zedillo has said a well-managed railroad linked to the market constitutes the cheapest means of land transportation. It is three to four times more economic as far as energy is concerned; its infrastructure and equipment have larger capacity; it has a longer useful life and a large growth potential in terms of utilized capacity.

Railroads handle only 1.5 percent of the movement of people nowadays, and less than 15 percent of cargo moves throughout the country via railroads. Only 40 percent of the main railroads transports most of this volume.

The private sector will participate through an adequate regulating system until the required levels of competitiveness and efficiency are reached.

President Zedillo concluded the proposed constitutional reform does not mean the state will ignore the duties it has toward the communities dependent on railroads for their supplies and transportation.

Analysts: Banxico Autonomy 'Exists Only on Paper'

PA2001000395 Mexico City EL FINANCIERO in Spanish 16 Jan 95 p 8

[Article by Georgina Howard]

[FBIS Translated Text] The Mexican financial sector has admitted that once again the autonomy of the Bank of Mexico [Banxico] "exists only on paper." Almost nine months after resuming its operations under the new plan, the central financial institute could still not halt the impending "exchange collapse."

From a distance, some analysts said today that it has been confirmed that the autonomous bank is just another organization "subject to the guidelines of the current government." That is why they applauded the proposals made by several legislators to reform the Banxico Law to enable this institution to decide future exchange policy "without interference."

Official sources confirmed that regulations to force banks to measure their credit risks, exchange rates, and prices to comply with capital requirements will be included in the package of reform bills for all intermediaries. The legislative branch will review these bills in the coming days.

It was also learned that the Finance Secretariat is preparing new guidelines for a system of capitalization of risks, a guarantee system for the assistance to be provided by the Fobaproa [Savings Protection Banking Fund], an improvement in the quality of the portfolio, the future role of the National Banking and Stock

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Commission, as well as a modification of the future role external auditors will play under different circumstances.

In another context, specialists from such financial groups as Inverlat, Invermexico, Mercantil-Probursa, Atlantico, Banacci, and Banorte said that in the international arena, Banxico's conduct "leaves much to be desired," because those responsible for that autonomous organization knew beforehand of the danger represented by the growing current account deficit and the gradual decrease of international reserves but did nothing about it.

We must recall that on 1 April 1994, when Miguel Mancera Aguayo took the oath of office before the Congress Permanent Committee as new governor of an already autonomous Banxico, Banxico told the legislators that the new institution would help reorganize finances and strengthen the currency.

Nine months after this ceremony—the specialists stressed—the stability of the peso "has been shattered" and the interference of authorities in the decisionmaking process of the bank's board of directors "is obvious."

More Changes Anticipated in the Sector

A team made up of Finance Secretary Guillermo Ortiz and those responsible for Banxico and the National Banking Commission will soon disclose a series of modifications to the laws that regulate financial groups, credit institutions, and the stock market in an effort to face the country's new crisis.

Following meetings that lasted over 10 hours a day, those in charge of the Mexican financial sector will submit a package of bills to the legislative branch to establish new policies to be exercised by oversight organizations, as well as the measures to be implemented in the sector to guarantee investor confidence and prevent deterioration among the institutions.

Those bills include several changes in the conduct of the National Banking Commission, as well as the need for credit institutions to consider the great risk they run as a result of their operations on the market, and this is not limited to credit operations.

They must perfect the exercise of regulatory caution in order to clearly define the future role of external auditors and examining firms, which must not limit themselves solely to reviewing the bookkeeping.

There are also plans to constantly evaluate the quality of banks' portfolios; to establish stricter regulations vis-a-vis institutions granting loans to shareholders to prevent more self-loans and other practices detrimental to the sector; to demand a capitalization of 8 percent as a minimum; and to increase the possibility of administrative intervention whenever it is deemed necessary.

Authorities warn that in the future, "illegal operations will not be allowed among intermediaries; a close supervision of all activities will be conducted; and the "normal" inspections undertaken by oversight organizations throughout the system will be maintained. [quotation marks as published]

Report Profiles Federal Government's Internal Debt

PA1901121995 Mexico City LA JORNADA in Spanish 17 Jan 95 p 24

[Report by Roberto Gonzalez Amador and Juan Antonio Zuniga]

[FBIS Translated Text] The Federal Government's internal debt at the end of 1994 rose to 383 billion new pesos, 29 percent of which is in bonds owned by foreign investors who have accumulated 111 billion new pesos' worth of those certificates.

The Bank of Mexico [Banamex] owned most of the state's internal debt, however, through implementation of an intensive policy to exercise monetary control and to keep foreign investments during 1994. This policy enabled Banamex to accumulate assets worth 216 billion new pesos, 56.28 percent of the balance of securities issued by the federal government.

Official Banamex reports state the nominal value of the debts of the internal bonds in circulation between the end of 1993 and the end of 1994 increased 206 billion new pesos, a 116.72-percent increase, and the debt rose from 177,150,100,000 new pesos to 383,991,620,000 new pesos, 31.2 percent of last year's gross national product.

Attracted by the higher interest rates policy, which did not reflect the inflation spiral in 1994, foreign capitals that sought to purchase government bonds changed their preference for Treasury Certificates (Cetes) and concentrated on Treasury Bonds (Tesobonos), which offer coverage against devaluation risks.

The change intensified after the assassination of Luis Donaldo Colosio, presidential candidate of the Institutional Revolutionary Party, on 23 March 1994.

Foreign investors had 46,414,350,000 new pesos worth of Cetes by the end of 1993. The amount dropped 74.09 percent one year later, 12,224,100,000 new pesos in December 1994, meaning the amount of Cetes in foreign investors' hands dropped 34,391,940,000 new pesos during that period.

Conversely, a sudden change was noticed in the structure of the government's internal debt by type of instrument and investor, particularly during the last nine months of 1994.

Foreign investors had 3,998,080,000 new pesos worth of Tesobonos in December 1993, and the amount increased to 94,759,000,000 new pesos one year later; therefore,

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

foreigners' resources in this type of instrument rose 2,270.1 percent in 12 months.

Meanwhile, the country's international reserves dropped $11 billion in April, and Banamex purposefully raised the Tesobonos' primary profits, so resources invested in Cetes were transferred to this instrument.

Consequently, foreign investors owned 111,221,420,000 new pesos worth of government bonds, the second most important ownership, after Banamex. Foreign capital invested in government internal debt titles increased 56.58 percent within a year, surpassing the 71,029,700,000 new pesos registered at the end of 1993.

Industrialists Recommend Strategy To Face Crisis

PA2001005495 Mexico City EL FINANCIERO in Spanish 16 Jan 95 p 44

[Report by Isabel Becerril]

[FBIS Translated Text] The Mexican manufacturing sector has urged the Secretariat of Commerce and Industrial Development (Secofi) to keep any agreements reached within the framework of the Agreement of Unity to Overcome the Economic Emergency under 30 days.

The sector requested the establishment of bases and parameters for all industrial agreements and recommended five basic points.

EL FINANCIERO has in its hands a copy of a 9 January letter from Fernando Cortina Legarreta, president of the Confederation of Industrial Associations (Concamin), to Secofi Secretary Herminio Blanco Mendoza in which the former claims that interest rate increases are inconsistent and exaggerated in comparison with real exchange rate increases.

Banks must maintain the same intermediation points in absolute figures [puntos de intermediacion en cifras absolutas] that they had applied prior to the devaluation of the peso in relation to the dollar, which began on 20 December 1994.

According to the document, industrialists think the effort required to overcome the emergency situation in which "we are immersed" must be shared by other sectors, not only by the labor force and the manufacturing sector.

Concamin believes it is indispensable for businesses, especially those organized within the National Association of Self-Service and Department Stores, to reconsider their mercantile conditions and to make an effort to maintain their margins in absolute terms and to lower their demands regarding billing terms and discounts.

The letter stresses that it is essential that the industry trust the parameters that will be in effect for the 30 days of the temporary agreement. Therefore an official action is required to build certainty around the prices and costs of raw materials that the government supplies to the sector.

As for the industry chain and final consumption goods, the document sent to Blanco Mendoza states that it is essential to determine the price of agricultural products used as raw materials.

It states that certain agricultural and livestock products urgently require this treatment, including wheat, corn, beans, rice, milk, oil, and other products whose prices are determined by the international market.

The Concamin leader said the authorities must use the 4.5 new pesos per dollar exchange rate as a parameter for establishing prices, collecting taxes, and charging for services, including those related to imports and exports.

In another 9 January letter sent to Jose Madariaga Lomelin, president of the Bankers Association of Mexico, a copy of which was obtained by EL FINANCIERO, the Concamin leader states that the industry believes interest rate increases are inconsistent and exaggerated in comparison with real exchange rate increases.

"Banks must maintain the same intermediation points in absolute figures that they had applied prior to the devaluation of the peso in relation to the dollar, which began on 20 December 1994."

Financial institutions must reduce the gap between foreign currency purchases and sales to avoid affecting exporting advantages.

He also demanded implementation of a request made a day earlier by the National Association of Manufacturers (Canacintra) to come up with a plan to extend terms and grace periods and the capitalization of interest differentials while taking into account the different financial flows of each project and the companies' ability to pay. Like Canacintra, the Concamin president called for the creation of an exchange rate policy [cobertura] for the industrial sector that includes a true reduction of future currency prices in order to avoid uncertainty.

He demanded the establishment of a plan to automatically renew all loans scheduled to mature between 20 December 1994 and 30 June 1995. Restructuring mechanisms adjusted to each loan will be established during this period.

Finally, Cortina stresses the need to create a fund for banks that grant emergency support to mini, small, and intermediate industries from resources of the Retirement Savings System. These resources should be channeled in the intermediate- and long-term at interest rates not to exceed the prime rate plus three points.

Business Leaders Outline Plans To Cope With Reduced Sales

PA2001005395 Mexico City UNOMASUNO (ECONOMIA Supplement) in Spanish 18 Jan 95 p 3

[FBIS Translated Text) Concanaco [Confederation of National Chambers of Commerce] President German

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Gonzalez Quintero affirmed during an interview yesterday that in view of the drop in Mexicans' purchasing power, "which is not as high as 50 percent, as [Confederation of Mexican Workers President] Fidel Velasquez has asserted, businesses will face a strong contraction in sales during the first quarter of this year and will establish a program to be pegged to the productive sectors in order to offer greater volumes of goods as soon as possible. Thus we would avoid spiraling inflation."

In a separate interview, Canaco [National Chamber of Commerce]-Mexico President Salvador Lopez Negrete pledged that businesses in the capital will "continue making sacrifices in sales in order to lower profit margins. We would also join the various sectors in the production chain in lowering the inflationary impact. Businesses, however, lack the financial means to meet workers' demands for a 50-percent salary increase, since many are barely staying afloat."

The business groups associated with Coparmex [Employers Confederation of the Mexican Republic] also demanded "an end to new crisis situations which jeopardize stability and growth" and felt that programs must be established soon to deregulate and streamline fiscal procedures to allow businesses to cope with the economic opening.

Mexico To Remain Full-Fledged Member of OECD

PA2001015095 Mexico City NOTIMEX in Spanish 1725 GMT 18 Jan 95

[FBIS Translated Text] Mexico City, 17 Jan (NOTIMEX)—Mexico will remain a full-fledged member of the OECD despite its current economic crisis, the Foreign Secretariat announced today.

"Mexico has demonstrated great maturity in dealing with the problem, and there is no reason why it should leave the OECD," stated Catarina Rock de Sacristan, director general of the Department of Multilateral Economic Negotiations of the Foreign Secretariat.

At no time has Mexico contemplated the possibility of leaving the OECD, which it joined last year, and there is no reason why it should do so.

She said there are multiple advantages for Mexico to remain in that intergovernmental forum of discussion and analysis of economic policies, which it joined on 18 May, because it encompasses all sectors of the government, except cultural, sports, and military aspects.

Regarding the quotas contributed to the OECD, she said each country has an assigned quota based on its GNP, per capita income, and other factors.

The quota, she said, will serve to finance the exchange of information. She said Mexico will not contribute economic aid to developing countries, because "we ourselves are a developing nation."

"Neither the advantages nor commitments of entering the OECD imply that Mexico has ceased being a developing country, because it joined the organization with an unequal distribution of income, social inequalities, and regional inequalities," she said.

She said Mexico had the "opportunity to participate in the design and implementation of the socioeconomic policies of the group, which comprises more advanced countries of the world," after becoming the 25th member of the OECD.

"Mexico could improve and expand its bilateral relations with all member countries. The certainty of the orientation of the international economy and treatment on par with industrialized countries will permit it to have increasingly diversified access to commercial and financial flows," she said.

The Foreign Secretariat added "OECD membership implies more confidence of the governments, economic officials, and, in general, of the citizens of industrialized countries. Mexico will find itself in an advantageous situation as a country that receives foreign investment."

The OECD, which had not opened its doors to new members since 1973, invited Mexico to join on 14 April 1994. Mexico ranks ninth economically among the 25 countries comprising the organization and 13th on the world level.

Mexico participated as a full-fledged member at the meeting of the OECD Council held on 7 and 8 June in Paris, France.

Chiapas Leaders Agree Dialogue Reduces Tension

PA1901174695 Mexico City UNOMASUNO in Spanish 17 Jan 95 p 9

[Report by Alejandro Benitez and Betzy Villarreal]

[FBIS Translated Text] Tuxtla Gutierrez, Chiapas, 16 Jan—Chiapas Governor Eduardo Robledo Rincon and Amado Avendano Figueroa, head of the "government in transition," concurred in stating that yesterday's meeting between federal government and EZLN [Zapatist National Liberation Army] representatives was very important and auspicious because it reduced tension in the area and opened the door to peace. Also, Tuxtla Gutierrez Bishop Felipe Aguirre Franco presented Conai [National Mediation Commission] President Samuel Ruiz Garcia with the Mexican Episcopal Conference's [CEM] demands for the rebel group to lay down its weapons and return to the path of civil disobedience.

Robledo Rincon reiterated his willingness to resign from the governor's post if the EZLN were to lay down its weapons. Amado Avendano noted that Government Secretary Esteban Moctezuma's decision to go to the jungle had been extraordinary because he has genuine authority to discuss issues.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

In general, there is a climate of confidence in the state. However, the fact that neither the EZLN nor the Government Secretariat has commented on yesterday's meeting, as had been promised by Samuel Ruiz, has generated considerable anticipation. Previously, both parties had issued communiques promising to report extensively on the meeting. The meeting's main purpose was to discuss and reach an agreement on ways to reduce tension.

Governor Robledo Rincon stated in an interview given in Tuxtla Gutierrez that yesterday's meeting represented the triumph of reason, because problems are resolved and differences are overcome only through legal means and dialogue. Ruiz stressed that his government has shown it does not favor war, as had been claimed, and that his first 40 days in office reflect this. He added that not one single municipality in the state is currently experiencing violence and that the 110 municipal councils are operating normally.

Later in the day, Amado Avendano said in San Cristobal de las Casas that the situation in the region was auspicious, and he called on his followers to suspend civil disobedience activities for a week or two. He said Eduardo Robledo Rincon's fall was imminent and therefore it is more important now to establish peace than it is to oust him. He also admitted that the Government Secretary's visit to the jungle helped diminish the tension prevailing among the people in Chiapas. During the same news conference, Amado Avendano once again charged that the Mexican Army had committed atrocities.

Bishop Felipe Aguirre presented Samuel Ruiz with a five-page document demanding that the EZLN return to its initial demands, which were based on legitimate human rights. The document adds that those demands have now become, more than anything else, political and partisan demands. The EZLN is also attempting to turn a local conflict into a national one. The CEM said the EZLN's conditions for peace should reflect generosity and sincerity because only then will there be justice and development. The CEM document emphasizes that some issues still require clarification because the lack of clarity generates concern, mistrust, and confusion. In this sense, it asked: "Who are the real insurgents in Chiapas? Are there other interests here?"

Conai President Views Chiapas Peace Process

PA1901162795 Mexico City EL FINANCIERO in Spanish 18 Jan 95 p 43

[Report by Jaime Hernandez]

[FBIS Translated Text] Samuel Ruiz, president of the National Mediation Commission [Conai], has said that suitable conditions for reestablishing a dialogue between the Zapatist National Liberation Front [EZLN] and the Federal Government do not exist, despite the fact that the situation in Chiapas has become less tense.

Yesterday, on arriving at Mexico City's airport, the bishop said the conflict "will not be resolved soon" because there has been no progress. He said that talks eventually will have to deal with acknowledging Amado Avendano as governor of Chiapas.

Bishop Ruiz dodged questions about whether he will meet with President Ernesto Zedillo or with the government secretary during his stay in the capital. He said Conai has been holding meetings over the past few days, and this is why "I am here."

[EL FINANCIERO] Could you tell us about the talks between the government and the EZLN?

[Ruiz] There were no talks, there was a meeting.

[EL FINANCIERO] Any results?

[Ruiz] Yes, and they have been announced by the Government Secretariat.

[EL FINANCIERO] How do you view the situation in Chiapas?

[Ruiz] As I see it, it is growing less tense.

[EL FINANCIERO] Are conditions adequate for reestablishing the dialogue?

[Ruiz] I have not said that, because I do not believe they are.

[EL FINANCIERO] With whom are you going to meet?

[Ruiz] Conai has been holding meetings for several days, but I had to be here at this time.

[EL FINANCIERO] Will you meet with the government secretary?

[Ruiz] Right now there is no plan for that; we have only held the one meeting.

[EL FINANCIERO] When will the second meeting take place? What are the points of the agenda?

[Ruiz] These are things we cannot foresee. These events are just beginning to unfold, and in due time they will be discernable.

[EL FINANCIERO] Are there possibilities of the conflict being resolved soon?

[Ruiz] I do not think it will be resolved soon. The Chiapas conflict is not a local problem; it is a national problem. This was known from the beginning.

[EL FINANCIERO] What progress has been made? Is there anything new?

[Ruiz] No. I cannot lie. We are waiting for an answer.

[EL FINANCIERO] Will the government of Amado Avendano be acknowledged?

[Ruiz] This is precisely the subject of the pending dialogue.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Chiapas Sierra Madre Armed Actions Cited

95CA0099A Mexico City LA JORNADA in Spanish 21 Dec 94 p 17

[Article by correspondent Yolanda Lopez Ordaz]

[FBIS Translated Text] Chiapas Sierra Madre, 20 December—Peasant organizations, police officials, and municipal authorities have reported that armed groups have been inciting residents of rural communities in the sierra, coastal, border and Soconuso regions to undermine state and federal governments.

They agree that these cells of supposed rebels have looted ranch livestock and coffee estates and held up all sorts of vehicles traveling along roads throughout the highland region to obtain money and weapons "for the cause."

The president of the association called Indians of the Sierra Madre de Motozintla (ISMAM), Ricardo Morales Ramirez, asserts that after the 1 January EZLN [Zapatist Army of National Liberation] uprising, various groups arrived in this region from the Zapatist zone. They then proceeded to indoctrinate peasants into rebelling against the government because of the conditions of extreme poverty, marginalization, exploitation, social injustice, and squalor in which they live.

He indicates that local residents have opted for the armed struggle to assert their social rights.

Among the municipalities in the Chiapas Sierra Madre are Motozintla, Siltepec, Bella Vista, Amatenango la Frontera, El Porvenir, Bejucal de Ocampo, Mazapa de Madero, and La Grandeza. The authorities in these towns have been constantly speaking out against the actions of groups wearing ski masks or handkerchiefs and carrying high-power weapons such as AK-47's, R-15's, or heavy-caliber handguns.

The mayor of Frontera Comalapa, Anibal Reynaldo Herrera Alvarado, and the mayor of Motozintla, Francisco Javier Merida Mayorga, explained that although these individuals have not shown up in the municipality main towns, ejido members, peasants, and travelers are constantly complaining of holdups by groups of more than 20 in this region.

Herrera indicated that unknown individuals carrying weapons have been seen in his municipality on the La Aurora and El Guapinol properties, which peasant groups demanding land have taken over.

Although he acknowledged that "the existence of armed groups in the zone has not been corroborated by the authorities in spite of accounts, the peasants are not officially reporting this for fear of reprisals. Nonetheless, residents of rural communities mention having seen groups armed with submachine guns, rifles, and handguns passing through."

He recalled that last Saturday four peasants from a group of 30 wearing ski masks and carrying weapons were shot and killed as they tried to loot the La Gloria estate. The mayor said that other incidents have been recorded in inaccessible areas of the sierra.

The agent of State Public Security, Gerardo Alcala Lopez, who is stationed at Frontera Comalapa, acknowledged that people in the area are afraid because they are without vehicles and weapons and thus cannot repel attacks by presumed subversive groups operating in the area that have threatened some locals with violence "for having voted PRI."

Primary-school teachers in rural communities have confirmed the presence of people wearing green and brown clothing, military boots, ski masks or handkerchiefs and carrying heavy-caliber weaponry; the locals have identified them as cells of presumed EZLN members.

Although the Office of the State Attorney General reported that no incidents were recorded that day in these regions, the climate along the coast and in Soconusco is tense.

The reason is that the leader of Democratic Peasant Unity and the Regional Council of Indian and Peasant Organizations, Herminio Verdugo Munoz, announced various Indian and peasant rallies in the area to pressure Governor Eduardo Robledo Rincon into resigning.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

El Salvador

Finance Minister Defends Proposed Economic Plan

PA2001042695 San Salvador EL DIARIO DE HOY (ECONOMIA Y NEGOCIOS supplement) in Spanish 17 Jan 95 p 17

[FBIS Translated Text] Finance Minister Manuel Enrique Hinds, in his first meeting with the media, defended the government's economic plan, saying it is necessary in order to avoid consequences that will even further affect the country's economy.

The plan announced by President Calderon Sol last week consists of four main measures: a fixed exchange rate; a reduction in tariffs; an increased VAT [value-added tax]; and a downsizing of government through privatization.

Speaking with reporters at the base of the Peace Monument, he denied that Mexico's economic crisis, considered by observers and analysts as the toughest experienced by a Latin American country, could have repercussions in El Salvador.

The official did not rule out the possibility that Mexico's proximity could have a certain economic impact on the area, but he did not believe it could directly generate a negative process in the country.

Engineer Hinds said that the VAT increase to 12 percent is a necessary evil to prevent greater problems, even though he did not list what those woes could be.

One of the reporters told Engineer Hinds that according to the criteria of economists and politicians, "the economic plan" is already a reality, and "the consolations" the government made to various sectors are of no use. He replied: "It is not a matter of putting on a 'show' [preceding word in English] or anything like that. We are consulting all sectors because we want to hear their opinions. If, after this exchange of ideas and opinions, some adjustment needs to be made, then it will be done. It is not like we already have the measures to be applied, regardless of the result of our consultations."

On the insistent rumors that the economic plan is a result of impositions by the World Bank and other international organizations, Hinds said: "No, these are not orders or terms of any international organization or of the World Bank. These are the terms by this government based on our own needs and emergencies.

"Much has been said about my work with the World Bank. For 10 years I was an international adviser in Asia and Africa, and the World Bank was one of my clients," the new minister clarified.

When asked if the social, political, and economic conditions are appropriate for turning El Salvador into "a huge free zone," as President Calderon Sol announced, Hinds replied: "Look, much has been said about that. It it not a question of radically turning our country into a free zone. The idea is to generate prospects so industries that create employment and products for export install themselves in our country. Assembly plants are one type, and we have conditions for that type of work here. We are close to New York, it is a great market, and we have the United States, a potential market, which can absorb plenty of our production."

"It is not a question of implementing a free trade zone project like those in other areas of the world. It is our own model, where investors have the necessary support to generate labor, and this labor, in turn, receives part of this investment," Hinds added.

Minister Hinds said that the drop in tariffs will not affect national producers; on the contrary, he said, it will be an opportunity for Salvadoran industrialists to improve and offer consumers a product that can compete with imported goods.

Hinds announced that next week a new round of talks will take place with the country's various sectors on the problem. "We envision a project in which all sectors can participate and the points of view of those involved be heard," he said.

Exporters Corporation Notes Risks of Economic Plan

PA2001033295 San Salvador EL DIARIO DE HOY in Spanish 17 Jan 95 p 11

[Report by Marvin Portillo]

[FBIS Translated Text] The debated government economic plan poses an "abrupt" change in economic policy that could mean "a serious destabilization in the economic, social, commercial, and labor sectors" if not fulfilled as planned, the Corporation of Exporters of El Salvador (COEXPORT) has warned.

The plan, which has encountered resistance in virtually all sectors of the country although it has not been officially announced, contemplates the permanent fixing of the exchange rate vis-a-vis the dollar, gradual tariff reductions, a 12-percent increase in the VAT [value-added tax], and modernization and reduction of the state organizations.

On 16 January, COEXPORT joined the labor organizations, which noted the risks of the measures contemplated in the plan without objecting to its general objectives, including the opening of the economy and currency stabilization.

The exporters, who will be the ones most affected if the currency exchange reaches 8.75 colones per U.S. dollar, had not become involved in discussing the plan due to the little information that is known about it. They decided on 16 January to break this silence and noted the risks implied by the measures.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

The exporters warned the setting of the exchange rate at 8.75 colones per dollar and simultaneous tariff reductions will spur businessmen and merchants to import more foreign products. This move could result in turn in a high deficit in the balance of payments and an economic crisis when the family remittances and funds from abroad are insufficient.

The COEXPORT president recommended "extreme caution" so that the compensatory fiscal measures contemplated in the plan, such as the 12-percent increase in the VAT, do not harm the people in general or the production sector. "The competition and productivity of the agriculture-livestock, agriculture-industrial, and industrial sectors could also be seriously affected," according to Mr. Quiros.

The fears of the leader of the exporters are based on the fact the tariff reductions will permit the massive importation of foreign products which are manufactured with higher technology and which are quite likely to displace national products from the market.

The COEXPORT president also considered as "contradictory" that an attempt is being made to replace raw materials manufactured in the country with imported ones, through tariff reductions, without considering that most countries apply subsidies and disloyal trade practices to products equivalent to those manufactured in the country.

He also said "what is known of the plan does not offer elements to strengthen the export sector. On the contrary, it poses the risk of increasing the prevailing anti-exporter trend."

Despite his views regarding the plan, Mr. Quiros said exporters are not opposed to an opening of the economy, "which we have always supported and will continue to support." He said he trusts the government will maintain its commitment to analyze and discuss the plan with all sectors of the country.

Guatemala

De Leon Gives State of Nation Address

PA1901155195 Guatemala City Radio and Television Networks in Spanish 1720 GMT 14 Jan 95

[State of the Nation Address by President Ramiro De Leon Carpio at a plenary session of the Congress of the Republic in Guatemala City—live]

[FBIS Translated Text] Mr. Vice President Arturo Herbruger Asturias; Mr. President and members of the Board of Directors of Congress; Mr. President and members of the Supreme Court of Justice and the judicial branch; Mr. President and magistrates of the Constitutional Court; Mr. President and magistrates of the Supreme Electoral Tribunal; Your Excellencies, members of the diplomatic Corp accredited in Guatemala; Deputies; Mr. Prosecutor General; Mr. Attorney General, Mr. Human Rights Ombudsman, Mr. Comptroller General, Mr. Ministers; Messrs. Secretaries of the Presidency of the Republic; officers of the Guatemalan Army; Messrs. secretaries general of the political parties; Guatemala University rectors; members of the domestic and foreign media; special guests; ladies and gentlemen; and people of Guatemala who are seeing and listening to me through this broadcast:

One year ago the country's political future was particularly somber. Today we still have problems to overcome, but the situation is different. Now we are moving forward, we can face the future with optimism; and there is hope, contrary to how it was yesterday.

In spite of everything, in spite of unfounded criticism, of skepticism, pessimism, and hopelessness, we, as Christians, must continue having faith and remain committed to the building of God's kingdom—a kingdom of truth, life, justice, love, and peace.

The year 1994 was a difficult one, but significant achievements were made. Today, supported by a constitutional mandate, I am at this plenary session to present a written report on the state of the nation and on the activities of my administration, as well as on what was achieved in 1994. I will summarize this briefly. I want to emphasize that I am not giving details because the written report will be delivered in a few moments to the distinguished deputies for their analysis and, afterward, to those who represent the international community and national institutions.

In this address I will not touch on matters I will discuss in other speeches in other places and on other occasions.

The general situation in the country: The process initiated in 1993 to renew the legislative and judicial branches was completed in September and October 1994 with the installation of the new legislature, present here, and with the appointment of new judicial officials, also present here, and a new comptroller general, a new general prosecutor, and a new attorney general, all of whom are here with us.

The institutional purge was a difficult challenge, considering that only a few months earlier the country had gone through political events that threatened the incipient Guatemalan democratic system.

Now, however, we are following new paths and our organizations and institutions are working to reinstill in citizens the trust and credibility that was lost because of bad administrations and the scourge of corruption.

From the beginning, the government over which I have the honor to preside has worked on the basis of austerity, honesty, and transparency, and sought to give the people a renewed and purged executive branch—one dedicated to the promotion of development and to the struggle against poverty, without the illegal acquisition of wealth of the past.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

In strict observance of the law and with respect for the constitutional mandate calling for independent government branches, I began a nationwide movement to demand the same purging, renewal, and restructuring of the Congress and Supreme Court of Justice. In turn, on 30 January 1994, an unprecedented event took place: the referendum. The people reaffirmed their rejection of corruption and impunity. As a consequence, we held elections on 14 August 1994 to form a new Congress which, a short time later, appointed the new judicial branch officials.

The result of this was a process of constitutional reform, the purging of state branches by legal and peaceful means, the reestablishment of political stability, and the regaining of credibility, all of which allowed us to strengthen the democratic process and to implement a constitutional state. These were the political goals of this administration.

Much has been said about the peace process. Even today, the former president and the new president of the Congress have both addressed the issue. We are firm in our commitment to the Guatemalan people and the international community to demonstrate our political will to sign a peace agreement by resuming the negotiation process with the Guatemalan National Revolutionary Unity [URNG]. In doing so, we hope to end more than 34 years of domestic armed conflict. Although we face serious obstacles, we can say that the peace process is definitely moving forward. The progress we have recorded in the talks between the parties and the signing of significant agreements have confirmed our perspective for peace and reinforced democracy. These achievements are paving the way for a process of development which will be beneficial for all—one that is based on the political integration of all Guatemalans, sustainability, and equity as the means for promoting human development with respect. This process will also promote human, civic, political, economic, social, and cultural rights.

The year 1994 was marked by a struggle against poverty in our country, by redirecting public spending, by decentralizing public administration, by utilizing social funds, and by seeking community participation in local projects and finding solutions for basic needs. All of this encouraged a peaceful and moral revolution for the peaceful development of our people. We began a comprehensive development process whose main objective is to establish a foundation that will allow us to improve the quality of life for all Guatemalans, particularly those who live in poverty and extreme poverty. We allocated significant amounts of money to this and maintained economic stability, despite the difficult situation in terms of government finances of which the Guatemalan people are all too aware.

When I took office as president, the political, economic, and social situation was difficult and was not exactly temporary. The political events of 25 May 1993 worsened the situation, but the crisis in general was the result of a buildup over decades—I would even say centuries—of problems such as poverty, class divisions, economic and social discrimination, illiteracy, the poor quality of public services, and the housing shortage. In other words, the crisis resulted from social inequities which represented a total disregard for human, economic, social, and cultural rights of Guatemalans. The violation of these rights is as harmful as the violation of individual human rights.

This is why now is the appropriate time, with renewed state organizations and with an advanced pacification process, to redouble efforts to emphasize and further speed up social investment projects that will enable us to reduce the levels of poverty and extreme poverty and advance along the path of development. This objective requires major financial resources. This is why, following the review of this distinguished Congress and the various national sectors, the executive branch pledged to implement a structural tax reform that enables the treasury to efficiently collect taxes, resolve the difficult situation of state finances, and make taxpayers fulfill their responsibility to help promote and negotiate national development.

Despite the obstacles, difficulties, and disputes, the serious and responsible position assumed by this honorable plenum, when it approved the 1995 national budget and the structural fiscal reform last November, encourages the government to advance toward its goals and objectives. The government is seeking to establish an irreversible process to improve living standards for all Guatemalans, giving them access to social and basic services, particularly, the neediest sectors of the population.

The structural fiscal reform goes beyond this. It prepares the situation for the next government and constitutes the greatest victory of Guatemalans through their representatives—the congressional deputies. These efforts must be complemented by actions we began in 1994 and which will be strengthened in 1995. Such actions include discouraging monopolies and promoting the privatization process within a strict judicial framework and with complete transparency.

After submitting an outline of the most significant national events in 1994 before this distinguished Congress, I will proceed to give a report on the major results of my administration covering the same period. The details of the activities conducted during my administration are included in a written report, which all of you will receive today.

Regarding the political situation, Guatemalans were able to achieve the renewal of state organizations and the consolidation of our democratic process and our de jure state following a difficult process. Convinced that peace, democracy, and development constitute a single integrated concept, we resumed the peace negotiation process with the URNG under the auspices of the United Nations and Colombia, Spain, the United States,

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Mexico, Norway, and Venezuela—all of which comprise the group of friends of the peace process.

Despite the criticism, skepticism, and pessimism, it is fair and necessary to recall that we were able to achieve significant achievements in 1994 after finding a peace process that was at a standstill in 1993. We must stress these victories were not achieved in more than three years of negotiations. We overcame difficulties and reached agreements that were deemed unattainable. We signed a framework agreement and established a timetable for the Overall Agreement on Human Rights, which is probably the most important one. We also signed the Agreement on Uprooted Populations, the agreement on the Commission for Historical Clarification, which was unthinkable just a few years ago, and, finally, the Agreement on Immediate International Verification, which brought about the recent establishment of the UN Mission for Guatemala to objectively guarantee compliance with and respect for human rights. All these actions draw us irreversibly closer to ending the internal armed conflict.

Concerning individual human rights, the government in 1994 still faced problems that demanded the government's persistent efforts to resolve them and to clarify incidents in eradicating impunity, as the local press announced today regarding one of these cases. What I must stress and what the national and international communities recognize—and I am emphasizing today before the Guatemalans who are listening to me and the international community represented here—is that there is no specific government policy or institutionalized action to violate human rights. Although there are still some problems, which we as the government acknowledge, our obligation is to overcome them, because the isolated incidents that took place in 1994 constituted neither a massive and systematic action to violate human rights nor a state policy. I must reiterate such incidents deserve and demand clarification and the determination of responsibilities.

With respect and the willingness to comply, I am waiting for a summary and a report which the human rights ombudsman, in accordance with the Constitution, must submit to the congressional plenum in the coming days. I am certain the ombudsman's office will have the objectivity and credibility this institution has had until now.

I can also say with satisfaction that my work during 1994—and I am not going to refer to anything more than this individual and collective human right—respected the individual and collective human right of informing and being informed; in other words, there was absolute freedom of press, freedom of thought, and freedom of expression, proof of which are the voices we heard up to a few minutes ago. These voices were heard without repression or limitation but, rather, with respect for the right of expression, the right of free thought, maintaining order and preventing today and in the future any alteration of this order or any action considered a crime or a misdemeanor.

I hereby reiterate that we have respected access to sources of information. This government, which has also respected freedom of expression and freedom of the press, here and now reconfirms its pledge to maintain these freedoms as part of its policy, because they constitute the fundamental pillars of the democratic system.

Regarding human, economic, social, and cultural rights, we only need to say we have begun a process that addresses needs, particularly of the rural population, who, when hearing me at this moment, know to what I am referring thanks to having given priority to social investment. This, of course, is not a demagogic and shrewd attempt to deceive the people by telling them we are going to resolve issues that Guatemala's sectors of formal and real power have been unable to resolve in 500 years.

Regarding international relations, Guatemala made proposals that included agreements with the Central American countries for developing more unified positions to enhance representation in international forums. At the regional level, we continued to firmly support the integration process through proposals that have the support of the Central American presidents. Guatemala's initiative in connection with the Alliance for Sustainable Development came within the context of the 15th Summit of Central American Presidents, which was held in Managua, Nicaragua, and the recently held Summit of the Americas in Miami.

International support supplemented government efforts in 1994 and made possible a number of social programs and projects. In the name of the Guatemalan people, many thanks for this cooperation. [applause]

Structural problems within Guatemala have placed the country among those Latin American nations with the lowest standards of living and lowest standards of meeting basic needs. The actions my administration undertook in 1994 will not, as I said earlier, resolve this complex situation. Nevertheless, a basic principle of our policy is to fight poverty, and to do this, we have carried out a host of programs based on an overall strategy of [word indistinct] community solidarity, joint responsibility, and awareness of the people's needs. This will make a genuine revolution possible—a peaceful cultural revolution for social and economic development, the only type of revolution that can be permitted in the world.

This strategy took the form of an emergency program which increased funds for social and community projects and institutional reform programs. The emergency program allowed the decentralization process to move ahead, and it advanced democratization and the modernization of the country's political, social, and economic structures. It thereby created conditions to attack the structural roots of poverty in a sustained and lasting manner.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

This program focused on the rural population as well as on communities affected by domestic armed clashes. It entailed public investments covering 281,125 projects worth 1.603 billion quetzales. The rural population listening right now knows what projects I am referring to. Therefore, we surpassed the 1993 level and the levels of many previous years.

In terms of social spending—in other words, what is spent on health and education—1.388 billion quetzales were spent. This shows the new direction and new focus of public spending toward priority social sectors instead of secret accounts already constitutionally prohibited and other unnecessary expenditures. The main recipients of these investments were the National Peace Fund, Fonapaz; the Solidarity Fund, handled through the regional development councils; the Rural Development Project; and the Social Entertainment Fund.

We created the Guatemalan Indian Development Fund, Fodigua, to support and strengthen the process of sustained human development of the Indian people of Mayan ancestry within the framework of an overall program of economic, social, and cultural projects.

The Indian peoples who are listening to me at this time also know what I am talking about. By granting them autonomy, we are allowing them to find the balance between social and economic development and their cultural identity. They do not have to stop being Indians to develop economically, and they do not have to remain poor just because they want to maintain their cultural identity.

Indian peoples of Guatemala listening to me now, you know perfectly well what I am referring to. We are taking this path to allow you to find a balance, to allow you to find yourselves, and to achieve social and economic development while maintaining your cultural heritage. If we do this, perhaps the results will be seen in 50 years. If we do not do it, we will experience adverse and negative consequences within five years.

Another program that is very important because it involves social participation is the National Program for Education Development, Pronade, which allows parents to participate in efforts to achieve a structural reform in Guatemala's education system.

In the field of health, actions were taken to achieve the administrative and organizational reform of the state with a special emphasis on the expansion of health services and preventive health services. We are still repaying the debt we inherited from the previous government. In hospitals alone, it amounts to 130 million quetzales.

As for economic matters, our government maintained a policy designed to achieve macroeconomic stability. Our GDP grew by 4 percent. It was not 3.5 or 3.7 percent as some institutions have been reporting. I am talking about a 4 percent growth. This economic growth figure has been proven. It is higher than the one in 1993. To preserve our country's economic stability without endangering our growth rate, the government's most significant contribution was its compliance with the Bank of Guatemala's payment program which allowed us to maintain a surplus despite the difficult financial situation faced by the government because of reasons we all know about.

As for our monetary policy, the adoption of measures such as a floating exchange rate allowed for a better management of the foreign currency market, which in turn helped us maintain exchange rate stability. Guatemalans know very well that the exchange rate is 5.80 quetzals per dollar, which is the same exchange rate we had in 1993.

As for inflation, it reached 11.59 percent by the end of 1994. Interest rates in our banking system and in open market operations declined.

The level of monetary reserves increased to $800 million, which is higher than the goal set for 1994. The Bank of Guatemala's foreign debt decreased by $152 million, and we eased credit for the private sector, which was reflected in the drop in interest rates.

Regarding fiscal policy, we experienced serious financial problems highlighted by a dramatic drop in tax revenues, especially income taxes and value-added taxes. We had to resort to foreign indebtedness. This situation forced us to present fiscal reforms to the legislative branch, which approved these reforms. They will be supplemented by administrative and institutional reforms that will be made to achieve the macroeconomic goals established in the 1995 national budget.

As far as infrastructure is concerned, we built major sections of roads, including 281 km of rural roads; repaired 1,402 km; and built a total of 2,584 km of roads. Infrastructure is an issue the president should perhaps avoid mentioning because of its nature and because it constitutes a sensitive legacy that we inherited, considering the country's failure in this area. This is why I am mentioning the specific infrastructure achievements we made. We realize that the steps we took were significant, yet insufficient. This is why we must continue to make joint and permanent efforts to move forward, especially in meeting the people's socioeconomic demands, while taking into account that the achievements we made in 1994 constitute only a working base to ensure that 1995 will become the year of peace when the weapons fall silent. The year 1995 is a starting point for Guatemalans working toward the forging of a true, firm, and lasting peace with social justice. This peace should lead to overall development, production, and institutional actions that will guarantee, on the one hand, the people's greatly cherished security and, on the other, a determined war on poverty from which all Guatemalans will benefit.

My struggle has been—and I am being frank here—and will continue to be a struggle for Guatemala. In view of

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

the challenges before me—challenges I accepted at a historic moment; because of the policies I have pursued and will continue to pursue until 14 January 1996; and with the support of the competent government team working with me—I am not hiding any concerns here—we Guatemalans achieved political freedom and overcame a political and institutional crisis. We are now facing the challenge of freeing ourselves from the scourge of poverty and ignorance.

This is why, dear Guatemalan people, the conditions are right for us, if we work together, to achieve the true social equality Guatemala has needed for 500 years. Thank you very much. [applause]

Rios Montt Assumes Post of Congress President

PA1901160695 Guatemala City LA REPUBLICA in Spanish 15 Jan 95 p 7

[FBIS Translated Text] General Efrain Rios Montt, the former head of state who became president of the Congress of the Republic on 14 January, has committed himself to support legislation that "strengthens democracy" and promotes peace, social changes, and respect for human rights.

Rios Montt was sworn in during a solemn ceremony in which President Ramiro De Leon Carpio read his annual report to Congress. The attention, however, focused on Rios Montt, who is the FRG's [Guatemalan Republican Front] presidential candidate in this year's elections.

While a small group of human rights demonstrators protested the former head of state's swearing in, Rios Montt urged lawmakers to show that "Guatemalans are willing to replace fear and frustration with reconciliation and peace."

In his speech, the general presented to the deputies three basic points that will allow Guatemala to eliminate the extreme poverty affecting more than 80 percent of the nation's 10 million inhabitants.

Congress President Rios Montt called for the "continuation of the democratization process, a determined and coherent debate of social and economic problems affecting the nation, and legislation that will lead to the consolidation of the peace accords and the approval of resolutions agreed upon by the executive branch and the URNG [Guatemalan National Revolutionary Unity]."

This year, in keeping with the constitutional mandate, "we will also oversee the budget, tax collection systems and methods, projected works projects, and efforts to achieve established goals," he added.

"We will stop being a body that merely rubber stamps bills, and we will assume our responsibility of being the voice of the people and the overseers of state administrative acts," Rios Montt pointed out in his speech—a speech to which President Ramiro De Leon Carpio and Vice President Arturo Herbruger listened attentively.

He added: "We must uphold human rights and personally commit ourselves to struggle as a family to express the nature and identity of the nation we must become. Our family deserves this. Guatemala requires this."

As for strengthening democracy, Rios Montt said it should be clear that neither goodwill nor democratic spirit is the exclusive property of any group or tendency. "Democracy also implies justice—justice that is swift and meted out to prevent impunity and citizens from taking justice into their own hands. We must put an end to the law of the jungle, and this will be achieved in coordination with the steadfast efforts of the Supreme Court of Justice, which is currently strengthening judicial work and implementing a new Penal Code," he added.

The swearing in ceremony took place under tight security. A member of the presidential staff prevented a group of deputies from entering the Congress building through a parking lot door. Several deputies, including Leonel Soto, complained about the arrogance displayed by members of the security force that is under the direct control of President Ramiro De Leon Carpio.

Nicaragua

Finance Minister Denies Currency Devaluation Rumors

PA2001120795 Managua Sistema Nacional de Television Network in Spanish 0200 GMT 18 Jan 95

[Report by Vilma Estrada; from the "National Newscast"]

[FBIS Translated Text] Finance Minister Emilio Pereira has denied rumors of a possible devaluation, which he said are being spread by certain ill-intentioned groups interested in destabilizing the country.

The finance minister, who denied the possibility of devaluations in the country, said the country's economic and monetary stability is guaranteed and will be backed by the collection of taxes estimated at 2 billion cordobas.

[Begin Pereira recording] There are certain speculators who are trying to spread rumors, because this is the time of year when there is little liquidity. They want the exchange rate on the parallel market to increase so they can make some money. We can guarantee the Nicaraguan citizens that there is no reason to expect changes in our exchange rate policy. [end recording]

According to Pereira, the inflation rate over the past three weeks has not even reached 1 percent, which shows we have a strong national economy.

[Begin Pereira recording] I can truly say, because it has been said internationally, that Nicaragua has the strongest economy in Central America at this time. It has shown the highest growth rate, and it has done so with

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

stability, which is what counts. It serves as a springboard for investing in the future. [end recording]

The country will continue its policy of gradually transferring its exchange rate to the parallel market and does not expect any changes in its monetary policy.

[Begin Pereira recording] When a country has high unemployment rates, we have to promote job creation. There is a logic in this, and we have done it in such a way that we are finding solutions to our economic problems and increasing our purchasing power. [end recording]

Pereira said tax collectors will be uncompromising with everyone because with this policy the government will achieve its goal of collecting 2 billion cordobas.

Ramirez Sets Priorities for Renewal Party

PA2001023095 Managua EL NUEVO DIARIO in Spanish 17 Jan 95 pp 1, 8

[Report by Augusto Cermeno]

[FBIS Translated Text] Granada—Dr. Sergio Ramirez Mercado proposed with striking clarity that the MRS [Sandinist Renewal Movement] be established as a new political party in Nicaragua, separate from FSLN [Sandinist National Liberation Front] structures.

At a working meeting last night with Sandinist renewalists in Granada, Ramirez answered questions regarding the definition of the MRS. He said: "No one who is a member of another political party, including the FSLN, can be a member of the MRS." Ramirez was even clearer, saying that this means the MRS will go to the 1996 elections as a legally constituted political party, duly registered with the National Council of Political Parties.

Approximately 80 MRS members and several followers attended the meeting. Dr. Ramirez was accompanied by current Sandinist deputy and bloc leader Commander William Ramirez, Francisco de Asis Fernandez, and other individuals.

Organization of the MRS is Our Priority

Referring to the immediate tasks of the MRS, the Sandinist politician said "the priority is to organize the movement. There is no time for unproductive discussions within the FSLN. It is urgent that we summon all people to get them to join this movement." The line has practically been drawn, and renewalists in all municipalities must get on with the task of getting organized "until we have an organizational presence at all voting reception centers, estimated to have an average of 400 voters. It is also estimated that there are approximately half a million new voters nationwide. They are the young people. We have to bring young people to the MRS," Sergio emphasized.

"Faced with such a task, it would be fruitless to involve people in a political dispute. The thing is to get started." He added: "Why are we getting organized? Not to lose time and read speeches. No, our priority is to get prepared and have a force strong enough to win the 1996 elections."

The MRS Political Platform Is of Parallel Importance

The former Nicaraguan vice president said the political platform of the MRS will be designed parallel to the development of its organizational activities and will include all aspects crucial to the country's political, economic, and social life.

"The platform will include our positions on property, administrative corruption, the pinata-like giveaways, fisheries, mines, democracy, reelection, the judicial system, human rights, the role of the Army, and illegal enrichment, among other things," the MRS leader asserted.

All the MRS artillery, according to Dr. Ramirez, is aimed at recovering lost credibility at the grassroots level. He called "current FSLN members who want to do so, and people who are not members of any party," to join the movement.

Against the Privatization of Health and Education...

Dr. Ramirez also defined other important aspects: "The MRS intends to make the constitutional reforms needed to bring change, social justice, more democracy. It also intends to reject the privatization of the health and education sectors and the legitimization of the Agrarian Reform.

He said he is against "sticking my neck out for the beneficiaries of Laws 85, 86, and 88 (of the Agrarian Reform) when they do not even abide by the rules established in those same laws." As an example, Ramirez mentioned the agrarian reform beneficiaries who have never set an urban foot on sown land, much less in a cow pasture, but are the beneficiaries of hundreds of manzanas of land.

Have Damaso Vargas and Nathan Sevilla Been Expelled from the Sandinist Bloc?

One of the people attending the meeting mentioned that Radio Sandino reported yesterday afternoon that Deputies Nathan Sevilla and Damaso Vargas had been expelled from the Sandinist bloc. Dr. Ramirez partially confirmed this report. He explained that both deputies had attended the Sandinst Bloc meeting where Commander Dora Maria Tellez was elected bloc leader, and they had been clearly told how the bloc would operate. "They were told that all bloc members could participate in the discussions, but in the end they would have to abide by what the majority decided. The deputies got up and left. Now they are saying they were expelled from the bloc. What they really wanted to do was participate and delay discussions but without subjecting themselves to the bloc's internal discipline," said the MRS leader.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

The Harassments of Channel Four

The Nicaraguan intellectual reported the aggravating and intimidating attitude of a Channel Four cameraman who followed him in a red car when he was going to Granada. "I don't feel I have to hide from anyone," he emphasized. He reminded the reporters present at the meeting that "the people rebelled to fight for their rights," so he did not know why the mentioned channel was following him so insistently.

Possible Electoral Alliances

Answering Granada Lawyer Alcides Altamirano's question on electoral alliances, Ramirez said he could not look that far ahead because "it was to soon. However, we do not reject political alliances between the MRS and other parties, including the FSLN, which is dominated by the orthodox sector."

He totally rejected the arguments of Sandinist unity: "How am I going to sit down while they launch campaigns to slander my family, children, and MRS comrades?"

Panama

Minister Announces Date for Transfer of Cubans

PA1901231995 Panama City LA PRENSA in Spanish 19 Jan 95 p A-2

[Report by Lastenia Murillo Munoz]

[FBIS Translated Excerpt] Foreign Minister Gabriel Lewis Galindo announced yesterday the first group of Cuban rafters will be transferred to Guantanamo Naval Base on 15 February, thus beginning the departure of more than 8,000 Cubans based on the west bank of the Canal. The transfer should be completed by 6 March.

Lewis said the departure of the Cubans must be completed by 6 March. There should be no Cuban rafters inside the country after that date, given the government has announced it will not grant any extension.

The foreign minister said "May God help that the transfer of the rafters take place without disturbances, which would lead to nowhere, and that the rafters will find a better destiny soon."

The Christian Democratic Party (PDC) protested in a communique yesterday and rejected the U.S. Government's announcement on the return of 8,000 Cuban rafters to the Guantanamo Naval Base.

The PDC believes the Panamanian Government should not permit the return of these rafters to Guantanamo and stated it is the responsibility of the Panamanian and U.S. Governments to work on and reach a more humane and solidaristic international solution.

The communique, signed by acting President Gabriel Cedeno and Secretary General Ruben Arosemena, states no one who has the guts to risk his or her life seeking freedom wants to be returned to the place where he or she will certainly be politically persecuted. It could even mean death, in certain cases, for opposing a dictatorial regime.

After evaluating the agreement between Panama and the United States, the PDC states it seems like both governments, in "an indolent attitude," only considered the problems of international politics when the time came to decide and not the resulting human problems.

The PDC expressed its deep concern over the violent outcome, if not fatal, that could take place during the forced transfer of the Cubans. As an example, the PDC recalled the 8 December incidents, when the desperation of many rafters made them consider suicide.

The PDC's message ends by calling for the joint efforts of Latin American countries to contribute practically and significantly to the necessary democratization of Cuba. [passage omitted]

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Argentina

Brazil's Lampreia Arrives, To Meet Menem

PY1901171195 Buenos Aires TELAM in Spanish 1523 GMT 19 Jan 95

[FBIS Translated Text] Buenos Aires, 19 Jan (TELAM)--Brazilian Foreign Minister Luis Felipe Lampreia today began a two-day official visit to Argentina within the framework of a tour of the member countries of the Common Market of the South (Mercosur).

Lampreia, who at noon was getting ready to meet with President Carlos Menem at the Olivos residence, arrived at 1200 [1500 GMT] at the military sector of the Jorge Newbery Metropolitan Airport.

At the airport he was met by Argentine Foreign Minister Guido Di Tella, who stressed that Argentina's relations with Brazil "do not end with the Mercosur."

During a chat with journalists, Di Tella emphasized that with the presidency of Fernando Cardoso, relations with Brazil will be "very vigorous, harmonious, and full of understanding with regard to various proposals."

"Our international positions coincide in vast areas, although there are some differences," the Argentine minister said, and he made it clear that despite those differences, which he did not cite, the ties "are of an extraordinary cordiality."

Di Tella maintained that "a new stage is being opened" in bilateral relations with the Brazilian Government, and that "there will be continuity and innovation, as is natural" in those relations.

Lampreia's agenda for the first day includes a meeting with businessmen at 1600 at the Brazilian Embassy.

At 1800 he will meet with Di Tella at the Foreign Ministry, and tonight he will decorate Di Tella with the Order of Rio Branco, according to the official agenda.

On 20 January the Brazilian foreign minister is scheduled to meet with Economy Minister Domingo Cavallo and Defense Minister Oscar Camilion, and at noon he will give a news conference at the Brazilian Embassy before departing at 1400 for Porto Alegre, Brazil.

Di Tella Urges Simplifying Mercosur Border Controls

PY2001015095 Buenos Aires TELAM in Spanish 2120 GMT 18 Jan 95

[FBIS Translated Text] Paso de los Libres, Corrientes, 18 Jan (TELAM)—On 18 January Foreign Minister Guido Di Tella praised the progress made in relations between Argentina and Brazil through the implementation of Mercosur [Common Market of the South], although he acknowledged that there are still operational problems in this regional integration agreement.

"Despite the difficulties that still existed in these first days of the year, Mercosur is fully operational," he stated.

Di Tella gave a news conference in this city after having toured the area bordering the city of Uruguayana.

He underscored the need to give impetus to trade flows with Brazil, so as to ward off possible obstacles in the operation of this regional endeavor.

"Unless border controls facilitate things for producers and truck drivers, skepticism about Mercosur will be inevitable," he said.

The foreign minister disclosed that freight traffic across the border will be one of the issues he will discuss with his Brazilian counterpart Luiz Palmeira Lampreia, who will arrive in Argentina on a two-day official visit on 19 January.

He also revealed that he will tell Lampreia that Brazil needs to "simplify" border controls.

He went on to say that "Brazil is reluctant" to implement the necessary border controls because "the change in trade flows gave rise to a huge quantity of imports that it did not expect to receive."

Nevertheless, he considered that the implementation of an Integrated Customhouse on 15 February will constitute "important progress" in rendering border controls more agile.

Di Tella visited the towns of Paso de los Libres in Argentina and Uruguayana in southern Brazil, where he met with representatives from the Argentine Border Police, the Border Superintendency, Senasa [National Service for Animal Health], and Emilio Neffa, the Argentine consul in Uruguayana.

The foreign minister went to the Border Center, where goods entering and leaving the country are jointly controlled by Argentina and Brazil, and verified the progress of construction that will enable the better control of trucks.

Di Tella visited this place accompanied by Corrientes Province Governor Raul Romero Feris, Argentine Ambassador to Brazil Alieto Guadagni, Under Secretary for Latin American Affairs Juan Jose Uranga, and Argentine Border Police Commander General Timar Musumeci.

During the news conference Di Tella stated that "Mercosur is a total success. Trade is experiencing a dramatic expansion, but customhouses and border centers are overloaded with goods traffic."

He stressed that "60 percent" of trade with Brazil is done through Paso de los Libres and Uruguayana; 600 trucks making journeys to and fro between Brazil and Argentina go through these cities every day.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Di Tella pointed out that "sometimes truck drivers whose trucks are loaded with perishable goods have to wait in lines over 7 km long. These truck drives surely think Mercosur is a joke."

With regard to the future incorporation of Chile and Bolivia into Mercosur, Di Tella said: "We are confident those two countries will join Mercosur," adding that "in the long term, we should advance toward a free trade zone extending from Alaska to Tierra del Fuego."

"The problem with Chile lies in its external tariff; this is why we have so far been unable to reach an agreement," he explained.

Ambassador Guadagni said that "370 joint venture projects" have been submitted since Mercosur became effective, which in his opinion represents a "veritable explosion" of the regional market.

Guadagni recalled that for the first time in the last 36 months, Argentina had a trade surplus with Brazil amounting to "$57 million in October 1994 and $90 million the following month."

Romero Feris said he intended to turn Corrientes Province into "the geographical hub of Mercosur." To that effect he requested "active participation" by the federal government "so as to streamline border controls on the Argentine side."

Di Tella Terms Laguna del Desierto 'Closed Subject'

PY2001020795 Buenos Aires TELAM in Spanish 1428 GMT 19 Jan 95

[FBIS Translated Text] Buenos Aires, 19 Jan (TELAM)--Foreign Minister Guido Di Tella today described as resolved the border conflict with Chile over the Laguna del Desierto zone in light of the Arbitration Court award recognizing Argentine rights over that southern zone.

In remarks to TELAM, Di Tella said: "It is a closed subject." He added: "Chile has taken the ruling with a great deal of circumspection."

Di Tella added: "It (acceptance of the ruling) is a very complicated subject for them." He conveyed, however, his confidence that "everything is going to be done in accordance with the terms" of the ruling.

EFE reported yesterday that the Chilean Government will submit "a partial revision appeal" regarding the border demarcation outlined by the ruling.

The EFE report added that the Frei administration will not reject the ruling, but "could question some of the markers" of its demarcation.

Chilean Foreign Minister Jose Miguel Insulza has announced that his government's decision could be made public today or tomorrow.

In remarks he made recently to the newspaper EL MERCURIO, Insulza admitted that Chile has "limited resources" for questioning the ruling, and noted that his government should carefully examine "the possibility and usefulness of using such resources."

The Arbitration Court set 15 February as the deadline for placing all the border markers.

Chile may appeal the ruling by no later than 19 February, because on that date Rafael Mata Olmo--the Spanish geographer who is serving as an expert for the Arbitration Court--will start tracing the final demarcation limits.

Central Government Orders Budget Cuts in Ministries

PY2001160195 Buenos Aires TELAM in Spanish 2223 GMT 17 Jan 95

[FBIS Translated Text] Buenos Aires, 17 Jan (TELAM)--According to what an Economy Ministry official explained on 17 January, cutbacks in the 1995 budget will not entail the elimination of superfluous expenditures but rather a change in priorities, which includes neither layoffs nor a reduction in appropriations for pensions.

Budget Under Secretary Marcos Makon asserted that "the budget cuts do not entail the elimination of superfluous expenditures, but rather a change in the priorities of each of the ministries that compose the government and of decentralized agencies."

Makon explained that cutbacks in spending "constitute a major sacrifice on the part of the government, since many agencies will have to do without major undertakings."

Makon disclosed that up to the present, neither the legislative branch nor the judiciary have voiced any support for the executive's self-imposed policy on budget cuts.

He contended that the president empowered the Economy Ministry to execute this adjustment. "We could always have recourse to this mandate to implement the cuts, but I venture to say that under no circumstances will we do it," he stated.

"I would even say that the cuts will be made by each ministry, and that the Economy Ministry must not make any cuts with a heavy hand," he insisted.

Makon made it clear that the cut of 1 billion pesos (2.3 percent of the total budget) does not mean that "a reduction of personnel" will be determined.

In this respect, he indicated that the cuts that have been ordered through Decree No. 2,360/94 "do not include the restructuring of the state"; it is simply a readjustment of the funds that can be reassigned.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

The official also confirmed that all the ministries have submitted to the Finance Ministry the diskettes that contain the confirmation of the 17 percent reduction of the budgets of said ministries.

According to the official, regarding this year's budget, which totals 42.98 billion pesos, the "non-adjusted credits," or rigid credits, including personnel salaries, public debt, pensions, universities, and the expenditures of PAMI [Comprehensive Medical Assistance Plan], among others, "cannot be touched."

Regarding the other 5,886,800,000, the government has made the "political decision" to restrict the "flexible expenditures" by 17 percent, in other words, just over 1 billion pesos.

"In this case we are not going to delve too much into what is spent, but we will make two formal verifications: One, whether the total scheduled cut checks out with the cut that has been determined for each ministry, and two, whether the ministries comply with the adjustments," the official said.

Makon indicated that the cuts will be made through joint resolutions between the Economy Ministry and each ministry, and he stated that the drafting of the legal documents that will allow the implementation of the restrictions is now being done.

Through Decree No. 2,360/94, the government orders the reduction of expenditures in:

Presidency of the nation	126,123,000
Interior Ministry	48,059,000
Foreign Ministry	40,987,000
Justice Ministry	11,866,000
Defense Ministry	136,391,000
Economy Ministry	252,433,000
Culture Ministry	145,299,000
Labor Ministry	25,211,000
Health Ministry	114,563,000
Obligations charged to the Treasury	99,807,000
Total	1,000,739,000

Ruckauf Discusses Vice Presidential Candidacy

95SM0123A Buenos Aires CLARIN in Spanish 7 Jan 95 pp 2-3

[Interview with Interior Minister Carlos Ruckauf by Vicente Muleiro in Villa Gesell; date not given]

[FBIS Translated Text] *Interior Minister Carlos Ruckauf, the newest candidate for vice president, says that if the PJ [Justicialist Party] wins the May elections, he will serve with Carlos Menem until the end of the president's term in office, in 1999. Ruckauf is on good terms with everybody in the party structure and has words of praise for Duhalde, Bauza, and Eduardo Menem.*

Villa Gesell (By special correspondent)—In the Villa woods we see a slender man in shorts and sandals who looks like just another summer vacationer but is sending a message over his intercom. Several steps ahead of him is a gentleman—somewhat shorter in stature than Carlos Menem—who also resembles a tourist but whose trademark smile not even a vacation-time storm can erase. The gentleman in question is the candidate for vice president, Carlos Ruckauf, followed closely by one of his bodyguards.

After attending the funeral of Diego Ibanez in Mar del Plata last Tuesday, Ruckauf had gone into seclusion at the residence of a friend in Gesell, not very far from his own residence here. He boasted—with the pride of an expert in "escapes"—that he had eluded everyone.

They have known him for years at the Palo Alto bar, in the northern part of these beaches, where they remember that they are to serve his coffee with cinnamon. As if it were already 15 May [election day], he tells a neighbor who approaches him, "Hello! You have a friend who is vice president. How about that?" The neighbor welcomes the greeting, of course, and prepares to respond.

[Muleiro] One interpretation of your nomination is, in effect, that you were chosen as vice presidential candidate because you have no power. What do you think?

[Ruckauf] The initial response is, "What is power?" If it is the territorial weaponry of the traditional parties, they are right. But if it is the respect of the people, they are wrong. My impression is that my nomination was well received.

[Muleiro] What this line of criticism says is that your nomination merely serves to consolidate Menem's power.

[Ruckauf] For the president to have power is customary in a presidential system. This line of criticism, however, has given rise to a fiction that I wish to debunk at the outset, namely that a vice presidential candidate takes office, resigns, and offers his services for another post. This is untrue.

[Muleiro] If you are asked to resign, would you refuse?

[Ruckauf] The fact is that Menem is not going to ask me to resign. If the people elect us, I shall be vice president until December 1999. Menem is not deceitful. He chose me to serve in the role of vice president. That is not just my impression; that is what he told me during a talk we had following the nomination.

[Muleiro] What did you talk about during that conversation?

[Ruckauf] We discussed the reorganization of the Interior Ministry and the eventual structure of the cabinet. He asked me to play an active role on the campaign committee and to cooperate fully with Carlos Corach.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

[Muleiro] What do you think of the statements by Palito Ortega in which he accuses Duhalde of having vetoed him and supported your candidacy?

[Ruckauf] To say that is not to know Menem. I am convinced that Duhalde never told Menem that Ortega should not be the candidate, much less that Duhalde ever proposed a candidate. It would be impossible for anyone to veto a candidate that Menem has under consideration.

[Muleiro] How are your relations with Eduardo Duhalde?

[Ruckauf] They are very good and have always been so. I recognize Duhalde as the second most important political figure in Argentina.

[Muleiro] If the Justicialist Party needs you to win the office of mayor of Buenos Aires, and if they put the question to you in those terms, what will your decision be?

[Ruckauf] I am not going to be a candidate for mayor. Such a speculation reflects a conspiratorial point of view. Menem is always being accused of some misdeed. The PJ is going to have very good candidates for mayor of the capital, and some surprising ones.

[Muleiro] Do your plans include running for president in 1999?

[Ruckauf] No. I have made a thorough analysis of what the future will be like, and I am convinced that my vice-presidential candidacy is the culmination of my career.

[Muleiro] Did you engage in politics during your tenure as minister, or did Eduardo Bauza?

[Ruckauf] This government has a de facto secretary-general of the Presidency who under the new Constitution will become chief of cabinet, and he is Bauza. I was very much at ease working with him. When there is a pyramidal structure of government, the political aspect of this structure passes through the axes of the pyramid: from Menem to Bauza and from Bauza to the Interior Ministry.

[Muleiro] In this structure that has been hegemonized by Bauza, how do you view the appointment of Alberto Kohan as the future secretary to the Presidency?

[Ruckauf] I believe it is an excellent choice.

[Muleiro] But Kohan does not follow the Bauza line....

[Ruckauf] No, but the old differences between Kohan and Bauza were forgotten long ago. I believe it is important that if Bauza is going to be chief of cabinet, the president should place in the secretary-generalship a close associate who enjoys his complete trust.

[Muleiro] Hasn't Eduardo Menem been left out of this structure?

[Ruckauf] No, Eduardo Menem will continue to be a key player in Argentina's power structure.

[Muleiro] The fact is that if the PJ wins, you will preside over the Senate and he will go down a step.

[Ruckauf] I do not believe there will be any difficulty, because we have an excellent personal relationship.

[Muleiro] For this campaign, do you have a message that is different from Menem's?

[Ruckauf] No. In any case, I have always felt competent to engage in debate, but the debate is always based on Menem's ability to govern.

[Muleiro] What will be the central theme of the campaign?

[Ruckauf] An explanation of the task of government, and an explanation of how we can maintain the present growth in a manner that is better compensated and better distributed throughout the national territory: basically, an explanation of what we are going to do to bring about a drop in the level of unemployment. I believe that in this regard Mercosur [Common Market of the South] will be of considerable assistance. It is also quite clear, however, that in Argentina only one political group has administrative capability: the group headed by Menem. The rest—UCR [Radical Civic Union], the Front, MODIN [Movement for Independence and Dignity]—are protest groups and control groups. Moreover, some of my UCR friends do not see themselves as constituting an alternative government before 1999.

[Muleiro] Would you approve around the year 1999 a new amendment to the Constitution that would allow Menem to run for another term?

[Ruckauf] No. Menem has made a clear-cut decision to play a different role in 1999. He told me this in a very private conversation, and I shall therefore not comment on it. Moreover, the Constitution—as we have amended it—is very clear and is ready to be complied with rather than immediately amended—an option put forward by those who believe that Menem is always giving the screw one more turn.

[Muleiro] Let us agree that he has given several turns of the screw already....

[Ruckauf] Those that proved to be indispensable. I believe it is very important at this moment to continue and strengthen the present administration.

[Muleiro] Lastly, if the PJ wins, you will occupy the second place in the structure of the state. As a *fan* of Racing [preceding word in English], what do you intend to do to become champion again?

[Ruckauf] A lot more than Chacho Alvarez would do.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Bolivia

FELCN Seizes 400 Kg of Cocaine in Navy Trucks

PY1901165495 La Paz Television Nacional Network in Spanish 0100 GMT 19 Jan 95

[FBIS Translated Text] Today members of the Special Antinarcotics Force [FELCN] seized 400 kg of cocaine. The cocaine was found in two trucks, incredibly enough, of the Bolivian Navy.

[Begin recording] [Unidentified reporter] Two trucks of the Bolivian Navy carrying approximately 400 kg of cocaine were seized by FELCN members on the road linking Cochabamba to La Paz, near the entrance to Sapahaqui. Antidrug Prosecutor Leopoldo Ramos said that so far five people among the civilians and military personnel are being held in the FELCN facilities. Captain Osvaldo Justiniano was driving one of the trucks. We have more details.

[Ramos] The cocaine, amounting to approximately 400 kg, was well-hidden under rice bags. This is the information we have so far. As we knew the drug was to be received by Captain Osvaldo Justiniano in La Paz, we decided to arrest him.

[Reporter] How many people have been arrested?

[Ramos] One is a civilian. The others are members of the Navy, one captain, one seargent, one driver, and one mechanic. The civilian is Oscar Enrique Vacardaia.

[Reporter] They were coming from Cochabamba. Where were they going?

[Ramos] The vehicles left the Navy headquarters in La Paz at approximately 1300 yesterday for Cochabamba. We were following them. The drug was loaded at about 0400 today in a town on the route toward Santa Cruz located about two and a half hours from Cochabamba, near Chapare. The trucks were loaded and headed toward La Paz. The drug was to go from La Paz to Santa Rosa and from that point to Colombia by plane. [end recording]

In order to have an idea of the quantity of cocaine seized, the 400 kg discovered in the Navy trucks represents one-fourth of the cocaine seized in 1994.

Further on Seizure of Cocaine

PY1901193995 La Paz Television Nacional Network in Spanish 1700 GMT 19 Jan 95

[FBIS Translated Text] The five Navy personnel involved in the drug case were presented to the media today.

[Begin Recording] [Reporter Amalia Pando] Captain Osvaldo Justiniano Vaca and three other Navy personnel, in addition to former Navy Lieutenant Luis Antonio Paz Galindo, were presented this morning to the media by General Simon Sejas Tordoya, commander of the Special Antinarcotics Force, as the first individuals detained in the Justiniano case. Through this operation the FELCN discovered that Naval personnel and the Navy infrastructure were used for trafficking cocaine. Captain Osvaldo Justiniano, aka Zacate, was identified as the head of the drug trafficking gang from which the FELCN seized almost half a metric tonne of cocaine paste.

[Sejas] After the investigation was carried out, it was found out that these individuals were part of an international network of drug traffickers headed by Osvaldo Justiniano Vaca, aka Zacate or Cabezon, a Navy captain. On 17 January the FELCN learned that this organization headed by Justiniano planned to deliver cocaine to Colombian drug traffickers. The FELCN detected suspicious movements by some naval members in Cochabamba and La Paz. The operations against Justiniano's gang began at 1315 on 18 January on the road to Oruro, at the intersection of the road to Sapahaqui. The FELCN agents seized a Bolivian Navy truck that was carrying a large quantity of cocaine that had been loaded in Cochabamba and camouflaged with rice bags.

[Pando] General Sejas Tordoya refrained from providing more information on the contacts Captain Justiniano probably has in the Navy and with his suppliers in the Chapare. Sejas said this is under investigation and that he had met with the Navy commander, who said he will cooperate with the FELCN investigation. As you can see, these are the two Navy trucks. One of them was carrying 479 kg of cocaine paste. [end recording]

6 Arrested in Cocaine Seizure

PY2001154095 La Paz Radio Cadena Nacional Network in Spanish 1100 GMT 20 Jan 95

[FBIS Translated Excerpt] The Special Antinarcotics Force said yesterday that the Justiniano-Zacate drug operation directed against the gang headed by Captain Osvaldo Justiniano, aka Zacate, was a hard blow to that organization because it made possible the seizure of 479 kg of cocaine, and the arrest of six individuals.

Those detained are: Captain Osvaldo Justiniano Vaca, Sergeants (Julio Argani Mendoza) and (Lino Rodriguez Lanza), (Oscar Enrique Vaca Ardaya), (Edgar Carlos Herrera Torreblanco), and former Air Force officer Luis Paz Galindo. The seizure includes the following: 479 kg of cocaine paste; one Navy truck; one Toyota Tercel; one Suzuki jeep; one 38-caliber revolver; two radio transmitter- receivers in normal condition; one radio transmitter-receiver in good condition; two cellular phones, including one in good condition belonging to Captain Justiniano; one fax machine; 41 diskettes; cameras; documents to be investigated; $802; and 155 bolivianos.

Defense Minister Raul Tobar proposed more active participation on the part of the Armed Forces in drug enforcement after it was learned that some members of the Armed Forces were caught red-handed in that illegal

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

activity. He said: We are realizing we must intervene in a more active way because this is a warning. The honor of the institution is strong, and one of its officers will not stain it. [passage omitted]

The Defense Ministry has officially reported that Captain Osvaldo Justiniano Vaca has been discharged from the Navy for his involvement in drug trafficking. According to an official report, Justiniano Vaca is considered the leader of an international drug trafficking gang involved in moving very large amounts of drugs. [passage omitted]

Antidrug Chief Announces 'All-Out War' Against Trafficking

PY2001145295 La Paz Radio Cadena Nacional Network in Spanish 1100 GMT 20 Jan 95

[FBIS Translated Text] All-out action on land and from the air will be taken against all people—absolutely all people—suspected of being involved in drug trafficking. The action will be relentless, whether involving politicians, military personnel, policemen, or plain civilians.

This warning was made by General Simon Sejas Tordoya, commander of the Special Antinarcotics Force [FELCN]. He said he has a clear picture of how to fight a crime that is destroying humanity.

[Begin Sejas recording] I would like to point out emphatically that we will fight this scourge of humanity with all our forces and against all those who are involved in this crime, whether they are politicians, military personnel, or policemen, and whether they are wealthy or poor. All-out action based on the greatest decisiveness will be carried out against those involved in drug trafficking. [end recording]

The warning was very clear: It is an all-out war against drug trafficking, and there will be no consideration whatsoever for those who are caught red-handed.

Finance Minister Cites 1994 Economic Achievements

PY2001010895 Santa Cruz EL MUNDO in Spanish 18 Dec 94 p A31

[FBIS Translated Text] La Paz, 17 Dec (JATHA)—Finance Minister Fernando Cossio today stated that the government has achieved its main economic objectives this year; that is, 4.4 percent in growth, a fiscal deficit standing at only 3.3 percent, and 3 percent inflation, which is lower than that of 1993 but higher than that estimated for this year.

In remarks to reporters, Cossio emphasized the work performed by the government's economic team which, he said, "made an effort to produce reliable figures, which are what the people need."

Cossio said: "As we approach the end of this year, we find that the government has achieved nearly all of its goals set for this year, through an effective cooperation by the Bolivian Central Bank."

He said: "Today is 17 December, and the behavior of macroeconomic variables is allowing us to state that we are going to close 1994 with the above mentioned fiscal deficit, with a good level of reserves—over $600 million—and with an acceptable inflation rate, despite the November jump."

The November inflation rate stood at over 1 percent, which caused the accrued annual rate to rise to 8.5 percent, compared to the 7.5 percent maximum estimated for this year.

The 1993 annual inflation rate stood at 9.3 percent.

Cossio added: "In any case, the result is excellent, because the world is not going to collapse over one point more or one point less, and because inflation is sometimes estimated at 20 percent in the budget of other countries, but ends up at 60 percent. These are major variations."

He said: "In our case, the increase over the estimated inflation rate does not even total 1 percent, which means that we have had a good performance."

Cossio confirmed that the government plan for 1995 envisages a maximum annual inflation rate of 6.5 percent, "which is a reasonable goal that can be achieved."

Cossio noted that despite some problems stemming from the recent intervention into two private banks, calm prevails in the financial area, and the prevailing trend is that deposits will continue to rise.

He said that the economic growth stood at 3.5 percent in 1993, and at 4.4 percent in 1994. He noted that this represents a very important increase "because the Bolivian economy is simultaneously presenting several good indicators."

Cossio noted that the above results have been obtained thanks to the fiscal discipline exercised by the national Treasury as well as to spending restraints, despite the fact that there has been no major increase in revenues this year.

Cossio reported that public investments are expected to stand at $460 million, which is a historic achievement because budgeted investments are rarely fully spent. Public investment in previous years stood at only 75 percent of the budgeted amounts.

Sanchez de Lozada Promises To Study Employment

PY2001145395 La Paz Radio Cadena Nacional Network in Spanish 1100 GMT 20 Jan 95

[FBIS Translated Excerpt] The government wants to put everybody in the same bag, to make everyone responsible for creating jobs. In the first meeting between

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

President Gonzalo Sanchez de Lozada and the representatives of the business sector and the Bolivian Labor Federation, COB, a decision was made to study the possibility of creating a national commission for employment.

This is the government proposal, which was accepted by the business sector; the COB, however, preferred to be cautious until the idea is evaluated in a COB assembly. Presidential Minister Guillermo Justiniano read a joint declaration after the three-hour meeting held yesterday in Government House.

[Begin recording] The government proposed the creation of a national commission for employment made up of workers, businessmen, and government officials with the main purpose of expanding and improving employment. With this purpose, the government proposed the creation of permanent subcommissions and work groups to study and resolve issues such as the employment situation, the need to follow up on the implementation of national and municipal investments, the elimination of red tape, and analysis of labor-management relations. The national commission will meet at least once a month. It was made clear in the meeting that none of the parties will waive the legitimate right to represent the respective sector, and that problems of a different nature will be discussed at the appropriate levels. It was established that the COB proposal will also be studied at the appropriate level. The COB proposed labor stability, the creation of permanent and productive employment, and an appropriate timeframe for submission of the government proposal to the workers for consideration. [end recording]

Justiniano was clear in pointing out that the creation of employment depends on favorable conditions in the country for carrying out the capitalization process.

[Begin Justiniano recording] It is quite essential to understand that economic growth is necessary to create and improve employment, and investments are necessary for the economy to grow. This means the creation of all the necessary conditions to attract investments. It should be clear that this is not just a bureaucratic or political decision. [end recording]

Carlos de Chazal, president of the Bolivian Private Business Federation, said his sector only wants clear rules in order not to protect its activities at the cost of the government. [passage omitted]

Brazil

Cardoso Introduces 'New Style' of Political Coordination

PY1901211795 Rio de Janeiro O GLOBO in Portuguese 18 Jan 95 p 3

[Article by Denise Rothenburg]

[FBIS Translated Text] Brasilia—An agreement to pass a proposal regulating the franchising of public services to private companies marked President Fernando Henrique Cardoso's debut as coordinator for political negotiations in his administration. In a move regarded as unprecedented by Senator Jose Fogaca (PMDB-RS) [Brazilian Democratic Movement Party-Rio Grande do Sul), the rapporteur of the proposal, Cardoso summoned the energy secretaries of state governments to Planalto Palace to brief them on the guidelines of what he wanted, and left the floor open for them to negotiate a final wording of the proposal.

For many this has been an example of what Cardoso is planning to do to promote the constitutional reform, and a confirmation of what he promised right after his election: to personally lead political coordination, with Vice President Marco Maciel as his main adviser in this area.

Fogaca said: In a meeting that lasted less than three hours, the president managed to work out an agreement on a proposal that had already been delayed for 20 months in the Senate. The president introduced a new form of political coordination. This is unprecedented and, at least in this case, it worked. I was surprised.

Cardoso's move represented a direct message to Congress: The president is open to dialogue and, when necessary, he is prepared to talk to the interested parties to resolve controversial topics, using all of his powers of improvisation and persuasion, which he already proved he possessed during his tenure as finance minister.

A close presidential adviser said: He will exercise now as president the coordination job he performed as finance minister.

In the case of the draft law on the franchising of public services, Fogaca gave Cardoso full credit for bringing about an agreement between the government and the companies that are franchised to provide electrical services. It was Cardoso who called the energy secretaries, and who insisted on opening the meeting to explain his proposal. He outlined the guidelines and then left the meeting in the hands of Civilian Household Chief Clovis Carvalho and Presidential Secretary Eduardo Jorge, who discussed the technical details.

Cardoso addressed the meeting for 20 minutes. He said that his administration will promote privatization as a strategy for being able to set aside Treasury resources for the social area. To those energy secretaries who were unhappy with the government's initial proposal of terminating the current franchises, Cardoso said that companies may continue as state government franchises as long as they are modernized. This is what the provisional measure will be all about.

According to his advisers, Cardoso said: Privatization is not an ideological but rather a strategic issue. It entails

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

neither statism nor a liberalism advocating privatization. Could those companies that are franchised continue as such? Yes, they could, but in accordance with the new rules of efficiency and competitiveness that we will jointly discuss.

According to Fogaca and Planalto Palace advisers, Cardoso has introduced a style emphasizing objectivity that has never before been used by another president.

Fogaca added: It is a new style of coordination. It is clearer and more open. The president put on a show. If the proposal is approved today, as we hope it will be, it will be a personal victory for him.

Cardoso Cites Mexico in Urging Congress To Pass Reforms

PY1901005495 Rio de Janeiro O GLOBO in Portuguese 18 Jan 95 p 3

[FBIS Translated Text] Brasilia—President Fernando Henrique Cardoso yesterday sent a clear message to Congress: If Brazil is to stay firmly on the modernization trail, without having to endure what happened in Mexico, it will be necessary to expedite the reforms. The message was conveyed by government spokesman Sergio Amaral upon describing the nature of the talks held by President Cardoso with Enrique Iglesias, president of the Inter-American Development Bank (IDB).

Amaral said: President Cardoso told the IDB president that the Mexican crisis is another reason why economic reforms must be expedited to consolidate both stabilization and the position of our external accounts.

Cardoso and Iglesias met for 90 minutes at Alvorada Palace. In evaluating the Latin American situation, they shared common viewpoints regarding Brazil. Iglesias conveyed his belief that Brazil is going through a normalization process. In his opinion, the stock exchanges are now more stable, and Brazil has calmly come through the Mexican crisis.

Iglesias conveyed his enthusiasm about President Cardoso, and offered to accompany him to Planalto Palace to continue their talks there. In Cardoso's office, Iglesias was able to learn in further detail the president's plans for Brazil.

Showing a great interest in proposals for the social area, Iglesias will resume today his talks with government officials. This will be a continuation of the talks he held with them a month before Cardoso's inauguration during a seminar on Brazilian development sponsored by the transition team. At that time, at the conclusion of the seminar, Iglesias had spent a whole morning with Cardoso at his residence in the Lago Sul district in Brasilia, and started the talks that are today resulting in larger IDB investments in Brazil.

Cardoso To Sign Lucena's Amnesty, Veto Minimum Wage Bill

PY1901233395 Brasilia Voz do Brasil Network in Portuguese 2100 GMT 19 Jan 95

[FBIS Translated Text] The Senate today raised the minimum salary from 70 to 100 reals [R] monthly effective February. The proposal, which was approved yesterday by the Chamber of Deputies, will now be sent to the president of the Republic for its promulgation.

Several congressmen said that the approval of the proposal, through a symbolic vote in the two houses, was a form of compensation to the public by the lawmakers for the amnesty granted to senators and deputies who printed electoral advertisement material at the Senate printing shop, as well as for the salary increase they had approved for themselves.

Senator Jose Fogaca criticized Congress for raising the minimum salary which, in his opinion, could provoke the collapse of the social security system; and for having transferred to the executive branch the burden of avoiding a public deficit.

Therefore, leaders of political parties supporting the government in Congress believe that President Cardoso will veto the minimum salary bill.

Deputy Luiz Carlos Hauly [Brazilian Democratic Movement Party- Parana State] said that the concentrated congressional effort that concluded today has yielded positive results. Among the bills approved is one granting amnesty to Senator Humberto Lucena; the law on franchising public services; the law establishing new salaries for congressmen, ministers, and for the president and vice president of the Republic; the provisional measure that raises income tax payments by companies; the creation of a standing committee in the Chamber of Deputies to monitor the Union budget; the minimum salary of R100 monthly; and a bill establishing guidelines for imports of beef and vegetables. The proposal to grant life pensions to former presidents will be discussed by the next Congress in February.

President Cardoso is going to promulgate the bill granting amnesty to Senator Humberto Lucena, because he does not want to interfere with a decision made by Congress out of respect for the system of checks and balances among the branches of government, and because he considers it to be a domestic issue of Congress.

Regarding the increase in the minimum salary, spokesman Sergio Amaral announced that President Cardoso will veto the bill.

[Begin Amaral recording] The government will thus be forced to veto that increase, in order not to provoke the collapse of the social security system and not to endanger the stabilization plan, which has been a major achievement for all wage earners. [end recording]

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Amaral said that President Cardoso was very pleased over the approval of the law on franchising public services and the provisional measure on income tax affecting companies.

Relationships, Dynamics of Cardoso Family Seen

95SM0114A Sao Paulo VEJA in Portuguese 21 Dec 94 pp 52-55

[FBIS Translated Text] Fernando Henrique Cardoso did not discover faith in God until after his loss to Janio Quadros in 1985, but ever since college days his family has celebrated Christmas as most Brazilians do. It is a happy holiday, with neither prayers nor sermons, in which close relatives gather for the traditional dinner, a bunch of very close friends arrives later to socialize around the tree, and everyone exchanges gifts. Christmas 1994 finds the presidential family at the center of media attention and public curiosity, and there is a reason for this. Since Jose Sarney, Brazil has not had a complete presidential family. Itamar Franco is divorced and lives far from his daughters, dating as much as he can. Fernando Collor is married but has no children with Rosane—only from his first marriage, to Lilibeth Monteiro de Carvalho. Seen as a photograph, Fernando Henrique's family conveys the kind of image that most people associate with an old-fashioned family. Dad and mom have been married for 41 years. The two daughters—Luciana, 37, and Beatriz, 34—and first-born Paulo Henrique, 40, are married and have produced four grandchildren.

Fernando Henrique's family likes to protect its privacy, which is right. The mere fact that someone is the wife, son, or daughter-in-law of the president of the Republic does not require them to transform themselves into the darlings of the social columnists. But at least one member of the family besides FHC has already entered public life. Last week, son-in-law David Zylberstajn, Beatriz's husband, was named as the next secretary of energy of Sao Paulo State by Governor-elect Mario Covas. He will administer a fabulous budget and have to cope with a lot of headaches.

If Fernando Henrique's family were laid out on Sigmund Freud's musty couch, one would imagine that it would prove to be very different from others because it was formed around what is known as a "Great Man," a figure who brings into the home prestige and power won outside it. The differences are merely apparent, not only because Great Men can be found in anonymous homes, but because we should not confuse the Fernando Henrique of today with the 1960's professor or the 1970's intellectual. An old friend of the family said that "the children did not discover who their father really was until they were adolescents and began taking classes with teachers who were familiar with his work and treated him with reverence. Before then, they even had trouble explaining what he did for a living. A child cannot understand what a sociologist does. He has an easier time understanding about a father who is a dentist or a mother who has a shop."

Emotional Outbursts

The trait that really distinguishes this family is that of the intellectualized middle class. Compared with their peers, the children of Fernando Henrique were less spoiled with expensive toys, and early on could be found trooping through museums. They were raised with an anticonsumption mentality that disparaged expensive clothes and condemned any kind of ostentation. That behavior not only reflected the ideas cultivated by leftist intellectuals during the 1960's; it also jibed with Fernando Henrique's admitted penny-pinching ways; he hates to open his wallet, not even to pay for his own cup of coffee at the bakery counter. Someone who was raised in the warmth of an Italian family would certainly find the atmosphere in the presidential home strange. It might be considered a little cold, perhaps too rational, and free of outbursts of emotion. Fernando Henrique and Ruth were never given to a lot of kissing, hugging, or cheek-pinching. Their neighbors in the Miriancu condominium in Ibiuna do not recall ever having seen them jump into the pool to play with their children. "They are not given to big expressions of affection, but they are very close," said sociologist Pedro Paulo Poppovic, a friend of the couple since university days. Ibiuna, 60 km from Sao Paulo, is where the Cardosos take refuge on weekends. They share a country estate with three other families that has become a frequent landing strip for friends, boyfriends, and girlfriends of Paulo Henrique, Luciana, and Bia. The liberal family upbringing permitted the sweethearts to sleep together without recrimination—and later, none of the children was required to make their marriages official at city hall. However, Fernando Henrique could not overcome the jealousy he felt toward the boyfriends of his younger daughter Bia. Once, as discreetly as possible, he dumped a glass of water on a young man who was visiting the girl on the weekend. The practical joke ended in an uproar, something rare in a family where differences are usually resolved without anyone raising their voice. Ruth yelled at her husband, Bia argued with her father, Paulo Henrique and his friends made fun of the scene, and the boyfriend, resigned, slipped quietly away. Their closest friends can remember no other episode that made Ruth lose her head. She and her husband never fought in public and even their children are not used to seeing them argue. The couple cultivates different circles of privacy: the one that includes their friends; a tighter circle—the family circle; and, finally, the circle that includes only the two of them. "Although reserved, the have always been very kind and good-humored," recalls poet Ledusha Spinardi, 41, a friend of Paulo Henrique since high school.

Fernando Henrique's children are legitimate members of a breed of young *paulistanos* dubbed the "Equipe generation" after the name of the school they attended. The teachers at Equipe were former political prisoners, or militants in leftist organizations, and the students—many of them the children of intellectuals—liked to discuss philosophy and literature in cafes. The cultural

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

center, headed by Serginho Groissman—now a fiftyish host on SBT-TV—sponsored shows starring Caetano Veloso, the Novos Baianos, and Gilberto Gil. The "Equipe generation" produced musicians Arnaldo Antunes and Paulo Miklos, of the Titans, and sculptor Nuno Ramos. All three, incidentally, were classmates of Bia Cardoso.

"We set ourselves up as intellectuals, read a lot, and debated esthetics, which was in vogue at the time," recalls photographer Joao Farkas, 39. The students were split into two groups. There was the "odara" bunch, who dressed like orthodox hippies, smoked marijuana right after breakfast, and went out for wine and beer before the first class break. The better-behaved students, deservedly called "squares," never missed a class and were known for their good grades. Bia was one of the squares. Classmates remember that Paulo Henrique straddled the fence between the two groups. "Paulo was not one of the craziest ones, but you would not have called him square, either," Farkas recalls. Paulo Henrique was a tall, thin fellow who made a tremendous hit with the girls, was always well dressed, and liked to drink vodka with a Russian accent. Talkative and friendly, he would hook up with all kinds of groups. As a member of the family, Paulo seems different only because his father is Fernando Henrique and his mother is Ruth Cardoso. Actually, he is a lot like most of the people of his era.

The firstborn child actually tried to follow in his parents' footsteps, and in 1974 enrolled in the social sciences curriculum at the University of Campinas. A poem by Ledusha, entitled "Undecided" [*Indeciso*] and published in her book *"Risco no Disco"*, dedicated to Paulo Henrique, sums up with humor and a touch of hostility the existential doubt that beset her friend at the time: "I don't know whether to have another Ballantines/ or study social sciences?" Paulo ultimately graduated, but never practiced the profession. During the past 15 years he has produced Brazilian country music programs and also taken jobs where his surname helped him, such as press adviser at Eletropaulo and director/president of Radio MEC in Rio de Janeiro. At present, he earns 6,000 reais a month as coordinator of independent productions for Manchete TV Network. He has been married for 12 years to Ana Lucia Magalhaes Pinto, 47, millionaire daughter of banker Jose de Magalhaes Pinto, owner of Banco Nacional. The story of the marriage of the banker's daughter and the son of an intellectual is a family legend.

Fernando Henrique and Ruth were firmly opposed to that union. For the leftist sociologist, there was the awkward historical connection, since Magalhaes Pinto had been one of the civilian sponsors of the coup that sent him into exile. One day, a friend asked Ruth how her son was doing and heard the following comment: "Imagine: He got married, and can you guess who's the bride? Magalhaes Pinto's daughter. Can you beat that?" Actually Ruth was annoyed out of a concern shared by every mother. Ana Lucia was seven years older than Paulo Henrique, had come from a broken marriage to psychoanalyst Eduardo Mascarenhas, and had two daughters—a situation described as "becoming part of a ready-made family." Even after he moved to Ana Lucia's mansion in Rio's Sao Conrado neighborhood, Paulo used to stop by his former bachelor's apartment to get phone calls from his parents, who did not know his new address. For a long time, when he went to Sao Paulo he would leave his wife in Rio. As happens in all families, time dissolved the tensions and now Ruth gets along amicably with Ana Lucia, who gave her twin granddaughters, now eight years old.

A Triangle

A recurrent anecdote heard from friends of the family says that Fernando and Ruth's offspring have mystical implications. There are three children, each born three years apart. Of course no one takes this math seriously but, by coincidence, the three form the shape of a triangle. With different temperaments, they chose different professions and went to live in different cities, but they are still very close to each other. The middle child, Luciana, is the serious one of the family. She looks a lot like Ruth, is timid, and energetic. During her parents' frequent trips, she used to run the household with the same high standards as her mother. To everyone's surprise, she decided at age 16 to become a biologist. About that time she started raising rare tropical fish in an aquarium tucked away in a corner of the house and sold her tiny schools to pet shops. "She involved the entire family in that enterprise. And, like Ruth, she has the power to attract people," a friend said. During the period when FHC lived in Brasilia, she shared the apartment with her father and, once again, was captain of the household. Away from her parents for the first time, Luciana lives in Brasilia with her husband, historian Getulio Vaz, and is awaiting the birth of a girl. She works in the data processing department of the PSDB [Brazilian Social Democracy Party]. The baby of the family, Beatriz, or "Bia," is the prototype of a Cardoso child. She was the only one who followed an academic course. She is also the most independent and prickly. When her parents returned to Brazil after spending some time in England, she decided to stay in Europe a little longer. She backpacked through Italy and Greece. At 17, she worked in day-care centers and preschools in Sao Paulo. At 18, she left home and set up her own apartment. Shortly after graduating with a degree in education, she went to live in Barcelona, where she met her husband, David Zylberstajn. Bia lives a block away from Fernando Henrique and Ruth, and so her two children, Pedro, 1, and Julia, 5, are the grandchildren most enjoyed by the grandparents. When Julia was born, Ruth even set up a cradle in her apartment. "She is a full-time grandmother," her son-in-law says with delight.

The Cardoso family will gather in Brasilia this Christmas. The holiday will be a little different from other years. First, because it will not feature the presence of some of their closest friends, who will be in Sao Paulo.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Second, because it will be under the bright lights of the TV cameras. The presidential family, neither as ordinary as most Brazilian families nor as different as people suppose, is making its debut in front of the footlights, where it will remain for the next four years.

New Foreign Minister Lampreia Interviewed

PY2001013095 Buenos Aires LA NACION in Spanish 19 Jan 95 p 8

["Main excerpts" of "LA NACION questionnaire" responded to by Brazilian Foreign Minister Luiz Felipe Lampreia—date not given]

[FBIS Translated Text] [LA NACION] Do you believe that Chile's entry into NAFTA might be detrimental to Mexico's situation, as Mexico is NAFTA's troubled partner?

[Lampreia] I believe you should pose this question to officials from the NAFTA countries. This represents a possibility, and it is always difficult to speculate about possibilities.

[LA NACION] Will Brazil join the Nuclear Nonproliferation Treaty (NPT) that the Argentine Congress ratified in December 1994?

[Lampreia] Brazil never signed nor ratified the NPT because we view it as an unbalanced mechanism creating a juridical inequality, by which the countries with military nuclear material have all the rights, and the nonnuclear countries have all the duties. The NPT was negotiated and implemented at a time in which the disarmament issue had a different significance and different requirements, which to a certain degree changed with the end of the Cold War and the East-West confrontation, but are far from being ideal. The NPT has also not been effective in curbing the nuclear race among originally non-nuclear countries. We are not dogmatic on this issue. Brazil has emphatically given up manufacturing nuclear devices, even those reportedly for peaceful uses, and has entered bilateral, regional, and international commitments through safeguard agreements with the International Atomic Energy Agency and the Brazilian-Argentine Agency for Accounting and Control of Nuclear Materials. All these commitments are aimed at observing and complying with the nonproliferation principles and standards that represent the NPT's main concern.

[LA NACION] How do you assess military power under the government of President Cardoso? What are the differences with regard to the past government?

[Lampreia] The Brazilian Armed Forces have frequently proven their commitment to democracy and their loyalty to civilian power. The way in which they have been able to increasingly reinforce the civilian society's trust in the professionalism of our military personnel and their commitment to the defense of our national interests has become apparent. I don't see any difference between this government and the past government. The fact that President Cardoso has maintained Army Minister Zenildo Lucena in his post represents evidence that everything continues to go forward normally.

[LA NACION] What can be expected from the meeting of the Brazilian and Argentine cabinets in Iguazu next month?

[Lampreia] This is an idea that cropped up during the talks that President Cardoso held with President Menem. The goal would be to familiarize the ministers with each other. It involves achieving a permanent and fine harmony between the two governments. We have received this suggestion with enthusiasm, and we are reviewing an opportunity to implement it.

[LA NACION] Will Brazil join the UN peace missions in the future?

[Lampreia] Brazil has been joining various UN peace missions during the past few years. It has a longstanding tradition of joining them that dates back to the 1950's, when we were in Suez. Our policy involves extensive cooperation with the United Nations, and we review our participation in each one of these forces or peace missions on merit, bearing in mind our possibilities in human, material, and financial resources.

[LA NACION] What business opportunities does Brazil offer in the privatization area?

[Lampreia] The government's goal is to pursue the national privatizations program. An effort is also being made to approve a law on public service franchises that will allow an important sector of the services area to be opened up to private enterprise.

[LA NACION] If Brazil's trade deficit continues, what kind of problems could Brazil encounter in financing its growth?

[Lampreia] Our trade deficit is perfectly manageable. The strengthening of monetary stability and growth depends mainly on structural reforms, such as fiscal reform, that will guarantee the conditions required for safeguarding the state's budget stability. If stability and the resumption of sustainable growth are strengthened, the foreign accounts balance will be guaranteed either through a continuous entry of capital or through increased exports, because our production sector is reacting to new impetus in the area of competitiveness and productivity. The Brazilian trade opening has been and will continue to be careful. Our stabilization with growth program, which is the Brazilian program's trademark, strengthens our economy and allows us to increase the domestic savings rate and growth financing.

[LA NACION] If this situation remains unchanged, to what extent would the economy depend on the entry of foreign exchange?

[Lampreia] The interest of international capital stems from our qualities, which have grown with the stabilization. The entry of productive capital has been increasing, and subsequently will also have a positive impact on our exports.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

[LA NACION] To what extent will you be able to resist the pressure exerted by export sectors that want a change in the foreign exchange system?

[Lampreia] There are pressures, but this is normal. They are being managed through constant talks with this sector.

[LA NACION] The economic opening has caused a trade imbalance, first in Mexico and subsequently in other countries in our region, including Argentina and now your own country. What will your government do?

[Lampreia] The Brazilian economic policy, beginning with the conception of the Real Plan, has been very careful. It is honest, open, and based on past experiences, not only in our country but in other countries as well. These experiences have allowed us to implement the required adjustments and improvements, without any major changes.

[LA NACION] Argentine exporters are complaining about the tariff barriers existing in your country. So far, claims and negotiations have faded away. Will this system be respected, or will a united economic decision will be made?

[Lampreia] I believe the Brazilian economy now has a very satisfactory level of economic opening. We have removed various non-tariff barriers and have consistently and quickly reduced our tariffs, even anticipating the implementation of Mercosur's [Common Market of the South] common external tariff. The government is committed to a process of making foreign trade more agile. The government is aware of the fact that it is necessary to achieve enhanced unity in the internal decisionmaking process, and it is working toward achieving it. The Cardoso administration's economic and trade policies are one.

[LA NACION] Will there be any facilitation of Argentine tourism?

[Lampreia] The entry and stay of Argentine citizens in Brazil, and of Brazilian citizens in Argentina, as tourists, is very simple, and I don't believe it has been a problem for anyone during the past few years.

[LA NACION] What is your opinion about the system benefiting the car industry in Argentina? Does it represent a problem for Mercosur?

[Lampreia] The Brazilian Government believes that free trade in the car sector within Mercosur represents an essential condition for the smooth operation of integration in our region. The car sector has a huge impact on the entire economy, and is tending to become transnational, which is a worldwide trend. The quest for competitiveness, lower costs, and enhanced service quality is essential, and Mercosur represents an effective way of achieving these goals. I believe the system benefiting the Argentine car sector has been negotiated based on these concerns.

[LA NACION] Is Brazil a privileged U.S. interlocutor in Latin America?

[Lampreia] Brazil and the United States have a mature, complex, and dynamic relationship that greatly benefits from the fact that we already have no political or economic disagreements, and that while we may disagree sometimes, it is in an earnest, mutually respectful, and cooperative fashion. Brazil does not seek a privileged position in its talks with any country.

Military Lobbying for Constitutional Amendment on Status

PY1301204795 Rio de Janeiro JORNAL DO BRASIL in Portuguese 12 Jan 95 p 4

[Article by Leda Fortes]

[FBIS Translated Text] Brasilia—Lobbyists from the Army, Navy, and Aeronautics Ministries yesterday began a concentrated effort to guarantee the approval in Congress of a constitutional amendment transforming the military—currently classified as federal employees—into "state employees." If this category is created the military will receive treatment that is different from the rest of the civilian employees, including on the subject of salaries. The "state employees" will allegedly also include diplomats and employees from special services like the Federal Revenue Office and the Federal Police.

The military engaged on this project with vigor after the government announced on 10 January that it would not grant public employees any wage increases beyond the 22.07 percent foreseen for January.

A high-ranking Armed Forces member yesterday said that the change in category has become a more urgent subject than the creation of a Defense Ministry. According to a high-ranking officer, the military will demand that party leaders unanimously honor the commitment they assumed with them in 1994 during the failed constitutional revision process.

Although President Fernando Henrique Cardoso promised to include a change of status for the military in the package of constitutional amendments he will send to Congress on 15 February, the military ministers are preparing a list of arguments to reinforce the need to modify this part of the Constitution as soon as possible. According to a general close to the government, the main issue is that the military are included in an operational and legal structure that distinguishes them from civilian public employees.

For example, the military allege that they are subject to transfers from units every two years. A study carried out by the Army shows that when an officer attains the maximum rank in his career—Army general—he must have moved an average of 20 times, without payment from the federal government.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Another claim by the Armed Forces is that this great number of transfers prevents the wives of military members from developing a profession. Therefore, an officer says, the family budget is the complete responsibility of the military member. Besides this, the officers claim that contrary to civilian public employees, they cannot make long-term plans or build up savings. When there are no vacant military houses in military neighborhoods, they must rent one.

Statute

Another argument for changing the classification of military members is that their statute is different from that of civilian employees, including labor procedures. For example, the military are not paid for extra hours, and their retirement has nothing to do with the mechanisms foreseen for civilian public employees. "Congress must understand that we are no better or worse than civilians, we are just different," an officer says.

—President Fernando Henrique Cardoso will now use the Federal Police to guarantee his personal security, and no longer Army agents. Police Superintendent Joao Cancio Neto, Sao Paulo Federal Police regional coordinator, has appointed Superintendent Mario Nakasa, also from Sao Paulo, to head the team that will look after the president. Besides the group that accompanies the president in Brasilia, there will be support teams with at least 10 men from the Federal Police in each state. The president's decision breaks with a 30-year custom created with the 1964 coup.

Army Chief Points Out Armed Forces' Lack of Resources

PY1701232995 Sao Paulo FOLHA DE SAO PAULO in Portuguese 13 Jan 95 Section 1 p 4

[FBIS Translated Text] General Delio de Assis Monteiro, new head of the Army General Staff, said on 12 January that the Armed Forces "recognizably have a very reduced budget" and that "any further reduction will harm their planning."

Gen. Assis Monteiro, 64, the former chief of the Army Teaching and Research Department, was installed on 12 January as head of the Army General Staff. He replaces General Benedito Leonel Bezerra, 64, who is now heading Emfa (Armed Forces General Staff).

Planning and Budget Minister Jose Serra is still analyzing possible cuts to the budget, but has already warned that the government will have to review its accounts to reduce expenditures by nearly 12 billion reals.

The new Army chief of staff supports the idea of separating the military from the other public employees.

The Armed Forces' congressional advisers are already working to ensure approval, during the constitutional reform process, of an amendment that will grant the military a status as public employees with their own careers, similar to that of diplomats.

Armed Forces To Resume Investments in 1995

PY1901162495 Sao Paulo GAZETA MERCANTIL in Portuguese 16 Jan 95 p 3

[By Cesar Felicio]

[FBIS Translated Text] Almost a decade late, the Armed Forces are hoping to resume this year investment in equipment modernization. The Army has received for 1995 the largest volume of resources for investment it has received in the last eight years. These resources total $424 million and the Army is seeking to obtain $376 million more abroad, with the executive branch's authorization.

The Navy has already received $150 million from abroad, has signed a contract for the purchase of British ships worth $250 million, and is still seeking to obtain $850 million more in the international market. Meanwhile, the Aeronautics Ministry is beginning to administer resources totaling $300 million. These resources will be used for investment and expenditures.

The military, however, is not euphoric. As a result of Planning Minister Jose Serra's efforts to eliminate the possibility of deficits in the General Union Budget, there will certainly be several cutbacks in the budget allocations. Nevertheless, resources for investment, at least, seem to be guaranteed: A high-ranking military source recalls that these allocations result from financing contracts signed abroad and that these contracts cannot be broken by the government.

The government began concocting this investment resumption last year when a military related draft bill was approved by the national Congress and developed into the largest bidding to be conducted in the country in the last few years. The operation involved $1.038 billion to be used in the implementation of the Amazon Region Surveillance System (Sivam). The operation was supported by the Eximbank [Export-Import Bank], the Swedish company EXN, and the U.S. firm Raytheon.

All the resources to be allocated this year will be used in programs already under way. In the Aeronautics Ministry's case, the fundamental project is to produce the AMX jet plane, which is a fighter bomber that has "surgical precision," Aeronautics Minister Mauro Jose Miranda Gandra said. The minister believes the project will use some $150 million in investment this year.

The Navy is trying to obtain resources abroad to continue implementing its project for the construction of Brazilian submarines. Some $200 million will be required for the construction of the fifth national submarine. Navy Minister Mauro Cesar Rodrigues Pereira asserted: "It is an important investment and will enable us to continue financing specialized manpower we have trained."

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

The Navy is also purchasing four British ships, 19 helicopters, 25 vessels for disembarking operations, and 20 patrol launches. In addition, it is building seven patrol vessels and, slowly, continuing to implement the nuclear program, which contemplates construction of a nuclear submarine. "Most of these modernization programs are long-term projects. Everything in the Navy is too expensive," the Navy minister said.

According to what the minister said, "less than $50 million" will be allocated to the nuclear program this year. He added that this program will only be completed in the first decade of the next century.

In the Army, the already ensured $424 million allocation will be divided among all of its components. It will be used for the purchase of heavy weapons as well as the purchase of medical and cartographic equipment. According to an article published in the magazine VERDE-OLIVA—the Army's official magazine—the main projects being implemented by this branch of the Armed Forces refer to changes in the caliber of the individual weapons. The current 7.62 mm caliber will be replaced to make the use of ammunition more effective. It also refers to the production of anti-armored vehicle missiles, the production of an amphibious infantry fighting vehicle [veiculo combatente de infantaria—VCI], and—in particular—the implementation of the electronic war project within the framework of the Electronic War Tactical System [Sistema Tatico de Guerra Eletronica—Sitage]. When he was head of the Army General Staff, General Benedito Onofre Bezerra Leonel—current head of the Armed Forces Joint Staff—asserted in an article published in the Army magazine: "This refers to the implementation of tactical and strategic systems aimed at monitoring the electromagnetic spectrum."

Army Finds 'True War Arsenal' in Rio de Janeiro Ghetto

PY1901153995 Sao Paulo AGENCIA ESTADO in Portuguese 2257 GMT 18 Jan 95

[FBIS Translated Text] Rio de Janeiro, 18 Jan (AE)—In an abandoned house in Adeus hill, in Ramos, northern Rio de Janeiro, the Army today found a true war arsenal that was used by the gang of the state's most eagerly sought drug trafficker, Ernaldo Pinto de Medeiros, aka Ue. The Army found 20 arms, among them rifles, pistols, machineguns, and carbines; 65 clips; 1,700 rounds of ammunition of various calibers; and an antitank grenade [granada de bocal]—exclusively used by the Armed Forces—whose fire power is sufficient for partially destroying an armored vehicle or a house.

In the same house where the arms were found, the troops seized, among other items, three kg of marijuana, 15 kg of cocaine paste, two cellular phones, and old army uniforms. The troops found the house, whose address was not reported, thanks to information from the Operation Rio intelligence service and from the Army Police intelligence service. Operation spokesman Major Francisco Paiva has said that "the people have shown their willingness to cooperate with us. In addition to phone calls to the crime reporting number, we have received information during the operations."

The operation at Adeus hill, Ue's stronghold, began at 0400 today and was carried out by troops of Parasar [expansion unknown] (Air Force), the Army Police, and the Army Special Forces Battalion—which is the Army's elite force—with the support of the Army aviation command, which overflew the area with three helicopters all day long.

The troops seized eight 762 rifles, two AR-15 rifles, two Rugger 2.23 rifles, two 9 mm machineguns, four pistols—one of them a 45 mm pistol fitted with a laser sight—and two carbines. Major Paiva reported that the Armed Forces are trying to identify the people who lived in the house. The arms were hidden in a styrofoam box and in a bag.

Finance Minister Orders Investigation Into Trade Figures

PY1601183595 Sao Paulo AGENCIA ESTADO in Portuguese 1411 GMT 16 Jan 95

[By Beatriz Abreu]

[FBIS Translated Text] Brasilia, 16 Jan (AE)—Finance Minister Pedro Malan has been surprised at the controversy surrounding the balance of trade figures, because, according to him, no official figure has been released on December imports. By the 20th of each month, the Federal Revenue Department should report the figures for the previous month. Consequently, there is nothing to discuss on the subject, the minister reiterated to his advisers. The minister ordered an investigation of what has happened, and if he finds it necessary, he will report the ministry's position on the subject. The government's position on the 1995 balance of trade is to work to have a small surplus.

Mandatory Deposit Eliminated in Response to Mexican Crisis

PY1401003395 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 13 Jan 95 p A1

[FBIS Translated Text] In its first reaction to counter the effects of the Mexican crisis, the Brazilian Government yesterday eliminated the requirement for exporters to make a mandatory deposit of 15 percent of any Advance on Exchange Contracts (ACC) they may receive from foreign importers. This measure will promote both exports and the inflow of dollars into the country. The Brazilian economic team is thus seeking to avoid deficits in the trade balance that would cause a reduction in the Brazilian foreign reserves, which was one of the causes behind the Mexican crisis. In response to this measure,

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

the Sao Paulo and Rio de Janeiro Stock Exchanges yesterday advanced by 9.7 percent and 7.8 percent respectively.

Finance Ministry Issues Communique on Trade Deficit

PY1701001195 Brasilia Voz do Brasil Network in Portuguese 2100 GMT 16 Jan 95

[FBIS Translated Text] The Finance Ministry has issued a communique reporting that calculations to determine the total value of imports in December have not yet been completed.

The communique says that the Federal Revenue Secretariat has thus far reviewed 95 percent of Import Statements [DI] corresponding to December. The Finance Ministry recommends, however, that no projections be made about the total value of imports in December, because 2,500 DI's are yet to be processed.

Finance Minister Pedro Malan was apparently surprised by press reports that the trade deficit in December had totaled more than $1 billion.

The government is reportedly not concerned about the possible total deficit in December because it considers December to be an atypical month and because the new trade policy encourages imports.

The government believes that the main thing is to work keeping in mind long term objectives, hoping to obtain a small trade surplus in 1995. There are, however, still no projections as to how much this surplus should be.

Dollar Withdrawals, Market Operations Analyzed

PY1601183795 Sao Paulo AGENCIA ESTADO in Portuguese 1242 GMT 16 Jan 95

[By Angela Bittencourt]

[FBIS Translated Text] Sao Paulo, 16 Jan (AE)—Between 2 and 12 January, the dollar drain from Brazil reached $906 million. Brazil began the year with two deficits: In its commercial account (exports and imports) and in its capital account (currency transactions). Of the total deficit, $127 million represents imports' surplus over exports, while $779 million represents repatriation of capital through financial dollar sales.

Through the repatriation mechanism, which identifies the withdrawal of currency that was invested basically in financial operations, $2.225 billion has been withdrawn from Brazil. This figure is 54 percent higher than financial purchases in nine days of business, and 80 percent greater than advances on export contracts. The balance of the exchange market can be reversed, depending on the position of exporters, who were aided by the elimination of the 15-percent tax on ACC's [advanced exchange contracts], but exports nonetheless also depend on other variables. Based on the conditions prevailing between 2 and 12 January, projections indicate that the first month of the Fernando Henrique Cardoso government could register a deficit of more than $2.2 billion.

Exchange Market Balance (in Billions of Dollars)

Period	Exports	Imports	Balance
1995			
2-12 Jan	1.238	1.365	0.127
	Financial Purch.	Financ. Sales	Balance
2-12 Jan	1.442	2.225	0.779
Total balance: 0.906			
REAL PLAN	Exports	Imports	Balance
Jul 94/Jan 95	19.778	17.278	2.500
	Financial Purch.	Financ. Sales	Balance
Jul 94/Jan 95	22.878	25.843	2.965
Total balance: 0.465			

Source: Central Bank/BFB/ING Bank

Serra Emerges as 'Big Winner' in Trade Deficit 'Scare'

PY1801013895 Rio de Janeiro JORNAL DO BRASIL in Portuguese 17 jan 95 Business and Finance Section p 1

[Article by Sergio Leo and Cristiano Romero]

[FBIS Translated Text] Brasilia—Planning Minister Jose Serra has emerged as the big winner following the scare provoked within the government by the unexpected $1.2 billion deficit in the Brazilian trade balance—the difference between imports and exports—in December.

While he was still serving as leader of the PSDB [Brazilian Social Democracy Party] bloc in the Chamber of Deputies, Serra was among the first to alert the government that a sudden drop in the dollar exchange rate provoked by the Real Plan would have harmful effects on Brazilian foreign trade.

Although Serra's fear that the Real Plan would cause exports to decline did not materialize, the adoption of measures encouraging imports—which were designed to avoid price increases and shortages during the Christmas season—weakened the Brazilian external accounts, which was another of his fears. The December trade balance deficit has surprised the economic team, which did not expect such a huge deficit.

At a news conference designed to show the differences existing between Mexico and Brazil, Central Bank [BC] President Persio Arida last week was still using figures that were not in keeping with the size of the Brazilian trade deficit.

Arida and Gustavo Franco, the BC director for international affairs, are now in a weaker position to support

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

maintaining the government's exchange policy. Franco has been a leading advocate of a policy leading to the reduction of the trade balance and to provoking a deficit in the Brazilian current accounts. Current accounts consist of exports, imports, and payments on foreign interest and dividends.

Franco claimed that a deficit in these accounts would be necessary to absorb the growing inflow of foreign investments. He envisaged the need for the deficit to be equivalent to 2 percent of Gross Domestic Product (GDP); that is, nearly $9 billion in 1995. Last week Franco had already admitted that the deficit should stand at only 1 percent of GDP.

Arida and Franco last week gave a lengthy explanation about the Brazilian and Mexican external accounts based on mistaken Brazilian trade figures. According to their calculations, imports stood at $32.1 billion, which would result in a small surplus—$22 million—in current accounts.

Yet according to figures released by the Federal Revenue Secretariat, imports were much higher; that is, they stood at nearly $33.3 billion, and the deficit in current accounts exceeded $1 billion. This figure accounts for nearly 0.2 percent of GDP. The incident has shown that the Brazilian economic team is not adequately prepared to closely monitor the Brazilian external accounts, as Deputy Delfim Netto (Progressive Renewal Party-Sao Paulo) has time and again said.

The unexpected trade deficit has made the job of Industry and Commerce Minister Dorothea Werneck easier. Along with Serra, Werneck has emphasized the need to reduce what has been called the Brazil cost—a number of factors, such as taxes, social benefits, and port costs that are preventing Brazilian products from being competitive abroad.

Werneck was hurt, however, by the confusion provoked by the release at her own ministry of excessively optimistic preliminary figures on the December trade balance.

Civilian Household Chief's Style Viewed

PY1901174195 Sao Paulo VEJA in Portuguese 18 Jan 95 pp 24, 25

[FBIS Translated Text] The cabinet of Fernando Henrique Cardoso has a sheriff: Sao Paulo engineer Clovis Carvalho, 56, 1.75 m, 80 kg, the chief of the Civilian Household. At the first cabinet meeting, the team exchanged views for two days at Granja do Torto in Brasilia. The content of the meeting was a set of general views on currency stability, social justice, and economic growth. The new feature was the form in which the meeting was held. Coordinated by Carvalho, the meeting was a mixture of a Jesuit seminary session and a meeting of executives of a private enterprise. It marked the beginning of the Clovis style in the Fernando Henrique Cardoso administration. A former seminarian who, at the age of 24, discovered that he no longer wanted to be a priest, Carvalho earned an engineering degree and became a successful executive earning $300,000 a year.

"He is a good Sao Paulo manager," Cardoso has said. At the Granja do Torto meeting, Carvalho had the ministers sit in a circle that resembled a group therapy session. Sitting in student chairs, everyone received a board with paper and a piece of light cardboard. He then provided a marker and asked everyone to write on the piece of light cardboard the name with which they would like to be addressed. In an atmosphere of student excitement, everyone wrote a name. Justice Minister Nelson Jobim wrote Nelson. Armed Forces Staff Chief Benedito Leonel wrote Leonel. Everyone burst into laughter when Planning Minister Jose Serra jokingly said he would like to be called simply by the name Jose.

Seeking to preserve the nature of meetings, Carvalho does not allow for any distraction. In order to prevent parallel conversations at the Granja do Torto meeting, he said that only the person sitting to the right—never to the left—of the one who was speaking could also speak. When Communications Minister Sergio Motta was speaking, Carvalho gently interrupted him, reiterating that the order of speech had to be maintained. That's how he is. Carvalho is almost always soft and gentle, but he does not fear unpleasant words or attitudes. Former Federal Revenue Department Scretary Osiris Lopes Filho is well aware of this. "I am not in the Fernando Henrique Cardoso administration because I quarreled with him," Osiris said. They collided on some occasions. During the noisiest clash, Carvalho vetoed the revenue department restructuring bill. Very irritated, Lopes Filho insisted on the project and threatened to take the issue to the newspapers. Carvalho pretended to pay no attention, while Lopes started to fall to pieces.

Powerful—In all governments, under the president there are three ministers who are more powerful than the others. They are the finance and planning ministers, and the Civilian Household chief. On two occasions, the Civilian Household chief became more powerful than his colleagues from the economic area. One of them was Golbery do Couto e Silva, who headed the Civilian Household during the Ernesto Geisel administration. The other was Leitao de Abreu, during the Joao Figueiredo administration. While Clovis Carvalho will not be like Golbery, because he lacks the political coordination ability and even the intellectual influence that Geisel admired in his adviser, Carvalho may end up being like Leitao de Abreu, who—at the end of the government—formulated the president's agenda, was his main adviser, and controlled presidential audiences.

The truth is that Carvalho did not arrive at Planalto Palace with such power. He arrived as a sheriff. "The Civilian Household will not be a comptroller," he said. "It will make things easier, so that things are done on time, at the expected cost and in the expected quantity. Yet if we have to make demands, we will make them."

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

This is what he did when he was the executive secretary of the Finance Ministry. Carvalho did not propose a single idea, but he demanded results. Former Economic Policy Secretary Winston Fritsch was charged with drawing up the text of the provisional measure for the URV [Real Value Unit], formulating the budget, and monitoring prices. Fritsch set a deadline for each of those tasks but did not meet them. Carvalho was merciless. He entrusted the URV measure to Gustavo Franco, contracted Milton Dallari to take care of prices, and entrusted the budget to Edmar Bacha. At the end of the government, Fritsch, who was stripped of his tasks, had practically no function to perform. Central Bank President Persio Arida liked to make parallel comments during the meetings. On one occasion, Carvalho sent him a signal: "We are losing the brightness of your commentaries. We will remain quiet to listen to you," he said.

The Chief's Envoy—The father of five children, married since 1968 to English teacher Gema, Carvalho was planning secretary of the Franco Montoro administration, when he replaced Jose Serra. In 1993, he left an executive position at the Villares group to become the executive secretary of then Minister Fernando Henrique Cardoso, and in the process received only one-ninth of his previous income. He has at least three qualifications that are useful for the president. He is the type of adviser who never panics, he is optimistic without being naive, and he takes no afflictions to the chief. Last week, President Cardoso divided the government into work chambers, all of which will be presided over by Carvalho. This does not put him in the position of a prime minister, but everyone knows that he is the chief's envoy.

The fifth of 11 brothers, Clovis knew some English, French, and German at 8, when he also began learning to play the piano. At 16, he entered Anchieta school, a seminary in Nova Friburgo, Rio de Janeiro. A dedicated student, he earned a degree in philosophy, but preferred to move to Sao Paulo, signing on at the Polytechnical School of Sao Paulo University, where he made his first contact with politics. He approached the Catholic University Youth, the JUC, which he headed in 1966 and 1977, and the AP, Popular Action, of which Serra and Sergio Motta were members. His first job was in a bank, but his fame as a good manager began at the Villares group, where he worked for eight years. "He is very good at making things work," group president Paulo Villares said.

Carvalho wakes up at 0600, eats no red meat, and drinks no alcohol. He does not smoke. He frequently attends Mass, but he is far from being a sanctimonious person. His family lives in a large four-bedroom house in Vila Madalena, a middle-class neighborhood in Sao Paulo. With five children, three of them surfers, he is always checking buying impulses. Yet he does not use at home the rigid discipline he uses at work. "He is not properly a liberal, but I talk a lot with him," says Carvalho's 17-year-old daughter Raquel. On weekends, Carvalho takes his family to a house at the beach, which was built, little by little, in Pauba, on the Sao Paulo coast. He reads at least one book every week, ranging from deep subjects to esoteric books. He buys books, reads them and then gives them to friends. "It's wonderful. I have not purchased any books for a long time," says Mario Sampaio, a friend and neighbor at Pauba beach.

Hugo Napoleao Elected Senate PFL Bloc Leader

PY1901013295 Sao Paulo AGENCIA ESTADO in Portuguese 1730 GMT 18 Jan 95

[FBIS Translated Text] Brasilia, 18 Jan (AE)—The Senate Social Communications Secretariat has reported that the PFL [Liberal Front Party] bloc members in the Senate this morning elected—by a vote of 16 out of 19 members—Senator Hugo Napoleao (Piaui State) as their bloc leader. The PFL bloc also elected Odacir Soares (Roraima) as first secretary of the board, and Julio Campos (Mato Grosso) as second vice president of the Senate.

Deputies Pass Amnesty Bill for Congress President

PY1901155395 Sao Paulo AGENCIA ESTADO in Portuguese 2212 GMT 18 Jan 95

[Report by Joao Domingos]

[FBIS Translated Text] Brasilia, 18 Jan (AE)—The Chamber of Deputies today granted amnesty to Congress President Humberto Lucena (PMDB-PB) [Brazilian Democratic Movement Party-Paraiba] and to 14 other senators who had irregularly used the Senate printing shop to print personal political advertisements. Lucena did not appear in the chamber while the amnesty bill was being voted on. Other senators who are facing similar charges—Henrique Almeida (PFL-AP) [Liberal Front Party-Amapa], Ney Maranhao (PRN-PE) [National Reconstruction Party-Pernambuco], and Carlos Patrocinio (PFL-TO) [PFL-Tocantins]—were, however, walking through the plenary room seeking votes and applauding those stating their support for the amnesty bill.

The bill, which was approved by a 253-110 vote, with eight abstentions, "grants special amnesty to those candidates to elective posts in the 1994 general election who were either tried or punished with the cancellation of their electoral registration and who were, therefore, declared inelegible or had their electoral diploma canceled, on charges of having committed electoral offenses established in the laws in connection with the use of the Federal Senate printing shop, in accordance with the Senate internal regulations. Hence, their respective processes are hereby dismissed and their electoral rights restored."

The wording of this bill stemmed from an amendment proposed to the Senate approved version, which was more comprehensive. Deputy Prisco Viana (PPR-BA)

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

[Progressive Renewal Party-Bahia), the rapporteur of the bill, stated that the Senate version could extend the amnesty to politicians involved in electoral fraud in the Rio de Janeiro election. It was also established as being applicable only to those congressmen who agree to pay for the printing services they had personally used, in accordance with the table of prices for reimbursement approved by the Senate board, excluding free services and discounts. Since the Senate version was amended in the Chamber of Deputies, the bill will have to go back to the Senate for review.

Members of the Workers Party [PT] and of the Democratic Labor Party fought to prevent Senator Lucena's amnesty. It is believed that at least 120 congressmen have used the Senate printing shop, although only 14 are facing charges in this regard. The Communist Party of Brazil (PC do B), which usually supports the PT, this time adopted a different position. PC do B leader Haroldo Lima (Bahia) strongly endorsed Lucena's amnesty. Lima contended that the Federal Supreme Court (STF), which acquitted former President Fernando Collor of passive corruption charges, should not have canceled the mandate of a senator like Humberto Lucena. Last night Lima endorsed the salary increase of deputies, stating that never before had their financial situation been more difficult.

In order to pass the bill granting amnesty to Lucena, the Chamber of Deputies had to vote three times: First, to reverse the voting order of proposals, leaving the vote on the life pension for former President Itamar Franco for tomorrow. Later, the deputies had to decide whether the amnesty bill should be put to a vote on an urgent basis. The urgent approach was approved by a 291-88 vote, with 12 abstentions. Lucena then obtained 39 votes more than needed. It was clear then that the amnesty would be approved because it was not necessary to have a high quorum to pass the bill. All that was required was to have 252 deputies in attendance and to obtain the majority of their votes.

Congress Approves Franchising of Electrical Energy Sector

PY2001020095 Rio de Janeiro Rede Globo Television in Portuguese 2200 GMT 19 Jan 95

[FBIS Translated Text] Fourteen public service companies will probably be transferred to private hands. This is contemplated in the provisional measure [MP] that will complement the law on federal franchising that has been approved by Congress.

[Begin Alexandre Garcia recording] Since the construction of the Itaipu Dam, nothing has been added to the energy-producing sector in Brazil. If the country continues to grow as it has been doing lately, soon the simple gesture of turning off a light bulb or a machine could become limited by energy rationing. The problem is that the public area has no capacity to invest in the production of electrical energy. The construction of 21 hydroelectric plants has been paralyzed or has not even been started. The worst thing is that the government has been spending 800 million reals per year just to maintain the work under way at these construction sites. The solution to this problem, and even the Workers Party agrees to that, is to attract private capital to the electrical energy producing sector. The law, which was approved yesterday, makes private investors feel more secure, and gives guarantees regarding public utility rates to investors and consumers.

The MP that will complement this law has already been drafted and finished with the president of the Republic's cooperation. This MP contains a list of federal franchises that are open to the private sector. They are: cargo or passenger transportation along highways, railways, and waterways, as well as air transportation; telecommunications; port and airport infrastructure; production, commercialization, and use of radioisotopes; subleasing of postal services; basic sanitation projects; water supply services; construction of dams, reservoirs, and sluices; traffic signs and traffic security; urban services, including maintenance of gardens and public ways; urban cleaning services; and the production, transmission, and distribution of electrical energy.

The MP supplies rules for extending the franchises granted to electricity companies that are currently government-franchised. These are public companies owned by the federal government or by state administrations. The recently approved law establishes that companies that still have work in progress have six months to report on how they will finish the work. Otherwise, their franchises will be suspended. The companies can even sell hydroelectric plants or establish partnerships with private companies. This opens up the path for the privatization of the state-owned companies of the electricity-producing sector.

Even if all the hydroelectric dams that have had their construction already approved by the government go into operation, electrical energy production would increase by only 20 percent. This increase will be absorbed in four years if during this period the country continues to grow 5 percent per year. This is why it is also necessary to attract foreign capital. Although the government believes this is the only way to ensure good services without generating deficits or indebtedness, or increasing the public utility rates, to do this it will be necessary to modify the Constitution. [end recording]

PDT Governors Back Cardoso's Constitutional Reform

PY2001003095 Rio de Janeiro JORNAL DO BRASIL in Portuguese 19 Jan 95 p 2

[FBIS Translated Text] Brasilia—The two governors elected for the PDT [Democratic Labor Party]—Jaime Lerner of Parana State and Dante de Oliveira of Mato Grosso State—were not present at a meeting of the PDT congressional blocs with former Governor Leonel Brizola, who recommended that the PDT oppose the federal

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

government. Lerner and de Oliveira had breakfast together yesterday and decided to defend the PDT support for the constitutional reforms promoted by President Fernando Henrique Cardoso.

Lerner and de Oliveira do not want their states to be hurt by budget cuts. De Oliveira jokingly said: "I would like the planning minister's chainsaw to operate far away from my projects." Mato Grosso State has 180 million reals [R] allocated in the budget, and de Oliveira would accept only cuts of up to R40 million. He said: "If everything that Congress did is going to be undone, we might as well shut it down."

De Oliveira added: "I am a governor for society, not for the PDT alone. To be a governor is different from being a party leader." He said that, in his opinion, the PDT national leadership's desire to oppose the federal government will not jeopardize the jobs of the two governors. De Oliveira believes the PDT should show now the same understanding it had regarding [former Rio de Janeiro Governor Leonel] Brizola's relations with former President Fernando Collor in relation to the coexistence between the two PDT governors and President Cardoso.

Lerner and de Oliveira will meet again for lunch in Sao Paulo on 26 January. They will set up a timetable of regional meetings to discuss constitutional reform and an evaluation of the PDT defeats in the 1994 election. De Oliveira said: "I would like to know why we lost in Rio de Janeiro and Rio Grande do Sul."

De Oliveira added: "Mato Grosso is proposing someone as director of rural loans at the Bank of Brazil [BB]." He proposed Jose Guim, the incumbent BB superintendent in Mato Grosso, for this position. Guim has also been endorsed by seven governors of the Amazon region, by Deputy Saulo Queiroz (Brazilian Social Democracy Party), by eight federal deputies, and by three senators.

PDT National President Neiva Moreira yesterday stated that his party does not intend to engage in "rabid or radical" opposition to the Cardoso administration. He said: "The PDT is simply against the neoliberal, conservative model that has unfortunately been adopted by the government." Neiva added that "to accept this model would run against the historical and ideological tradition" of the PDT.

Deputy Neiva stated that the PDT "will never deny its support to government initiatives or measures that would be in the best national and public interests." Neiva also denied reports that relations between the PDT leadership and Governors Lerner and de Oliveira have been undermined. He said: "They are both highly respected and prestigious leaders of our party."

Neiva added: "During the meeting of the PDT congressional blocs (held in Brasilia on 17 January), Brizola once again stated that it is both natural and necessary for PDT governors and mayors to maintain correct, normal administrative relations with the government."

According to Neiva, the PDT was particularly annoyed by a segment of President Cardoso's inaugural address, when he said that his election had put an end to the Vargas era. Neiva said: "Despite his being a prominent sociologist, the president has no power to stop history and decree the end of an era."

Commenting on the PDT's future, Neiva noted that his party will hold its fourth congress in April or May "to evaluate victories, not defeats." He described as a victory the 2.8 million votes obtained during the runoff elections in Rio de Janeiro by PDT gubernatorial candidate Anthony Garotinho, and the nearly 7 million votes obtained by Francisco Rossi in Sao Paulo.

Official's Commentary Views Mexican Crisis

PY1901005295 Sao Paulo FOLHA DE SAO PAULO in Portuguese 16 Jan 95 Section 1 p 3

[Commentary by Federal Administration Secretary Luiz Carlos Bresser Pereira: "The Mexican Lesson"]

[FBIS Translated Text] Many lessons can be learned from the Mexican peso crisis, some of them obvious, like the fact that a policy providing for artificial support for the exchange rate is unfeasible in the medium term. There are also ideological lessons, like the fact that the traumatic devaluation of the Mexican peso can be considered a signal of the unfeasibility of neoliberal policies.

I would rather attribute this crisis to a "confidence building" [preceding two words in English] policy, which Mexican authorities of the Salinas administration implemented instead of a policy for macroeconomic balance and preservation of national interest.

In the 1950's, a basic ideological gap separated nationalists from internationalists. This dichotomy became meaningless as the nationalist developmental trend became growingly distorted by populism, exhausting its capacity to explain underdevelopment and to offer an effective strategy to promote development.

This ideological stand was replaced, at an international level, by the modern concept of national interest, which has been pragmatically analyzed, on a case-by-case basis. Latin American countries are no longer supposed to be surrounded by imperialistic powers with which they cannot negotiate. Yet the internationalist alternative of a wide range of common interests with the developed world is not admitted either.

There are common interests, but there are also conflicting interests—like the foreign debt—which must be negotiated in line with national interest criteria.

Meanwhile, just as the old nationalism survives in combination with statism, the old internationalist sell-out trend is healthier than ever. It has only changed its name and the method for justifying itself. Now everything focuses on the "confidence building" idea, the idea of gaining international confidence, at any price.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

For "confidence builders," national interest is a secondary objective. Their first objective is to please the First World and gain foreign investors' confidence, gaining "credibility" and creating positive expectations for the country. Once this objective has been attained, confidence builders believe that national interests will have been automatically preserved.

The confidence building (I will purposely use the expression in English and without quotation marks) policy consists of adopting all the recommendations from Washington and New York—that is, from the U.S. Government and from international banks—to strengthen international investors' confidence, even at the expense of national interest, and instead of reaching actual macroconomic balance.

There is obviously nothing wrong with seeking to build international confidence. Yet this strategy becomes confidence building when, on its behalf, the national interest is sacrificed, or when it replaces fiscal adjustment and a realistic exchange rate.

The replacement of those objectives might seem a paradox, because Washington and New York also want macroeconomic balance. Frequently, however, macroeconomic balance can be replaced—at least in the short term—by strongly ideological, more general measures, like signing a foreign debt agreement that is harmful to the national interest, and engaging in a broad privatization process.

On the other hand, an exchange rate devaluation always reduces international confidence. If a country is engaged in a confidence building policy, there is great temptation to adopt a fixed exchange rate despite inflation.

The contradiction between the preservation of national interest and a confidence building policy is not surprising at all. It is obvious that there is not always a coincidence regarding what we have to do, between the national interest and the First World.

Now, no country—other than Salinas de Gortari's Mexico—has engaged so determinedly in a confidence-building policy. His confidence-building efforts began in 1989, during the foreign debt negotiations.

Adoption of the Brady Plan was announced in Mexico in February 1989. This plan permitted the reduction (through issuance of bonds) of the debt, and the relative separation—in the negotiations process—of commercial banks from the International Monetary Fund.

These two directives represent a great advance from Washington, but it was also clear that the reduction contemplated in the Brady Plan was limited and insufficient. Nevertheless, in record time six months later, in August of that same year, Mexico was already signing the draft ("term sheet") of its accord with the foreign creditors.

The agreement with the creditors was contrary to Mexico's national interests, and the debt reduction achieved was minimal. As a matter of fact, if we think about the drop in international interest rates that followed all that, we will realize that it has been almost nonexistent. The agreement, however, was justified by the government because "it built up international confidence" and thus permitted—on one hand—the fall of domestic interest rates and the "spread" (interest rate added to the London Interbank Offered Rate), which was paid by Mexico on its foreign trade financings and—on the other hand—because it originated an investment flow to Mexico.

Then the confidence-building policy continued to be systematically implemented. This policy is based particularly on an exchange rate with an ever-increasing value. Stabilization was skillfully obtained by then President De la Madrid, in December 1987, through price freezes and an exchange anchor.

The inflation rate decreased violently, but residual inflation persisted, and the government fought against it through overvaluation of the local currency. In a short while the country began to experience deficits in its deposit accounts and in its own trade balance. In 1994, its deficit in deposit accounts already totaled 6 percent of gross domestic product (GDP).

To finance this deficit, Mexico counted on a huge flow of capital. This flow reached Mexico less as a result of awakened confidence than because of the interest rate spread. There was also some confidence because the bankers, despite the seriousness of their dark suits, cannot resist the prospect of high profit levels in risky liabilities.

By definition, the financial sector is speculative and volatile. For this reason, the international financial community continued to have confidence in Mexico for as long as this proved possible. This confidence, however, was wary, not only because of the Chiapas rebellion, but mainly because the international financial community realized that Mexico was not developing despite the brutal flow of foreign investment being received by the country.

Why was Mexico not developing? Why was the GDP growth rate systematically low in the last few years? Basically because the local entrepreneurs and the multinational companies limited their investments, perhaps because they did not forecast demand for the goods to be produced in the country in view of the excessive opening made possible by the overvalued exchange rate, or because they realized that the macroeconomic balance was weak.

The level of foreign "investment" undoubtedly remained high, but consisted mainly of "hot money" [two preceding words in English] investment, which is not related to real investment that increases the country's productive capacity. As a matter of fact, capital that

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

entered the country was used for consumer goods and for the payment of the extremely heavy servicing of the foreign debt instead of for financing investment.

As Mexico found out, the confidence-building policy is short-legged. This confidence had already been subject to erosion for some time. The signing of NAFTA ensured its survival, but in December this confidence ended, and opened up the path to turbulent days for the new Mexican president.

All that is left now is to wait for the Mexican peso to become really devaluated, and hope that from now on, Mexico will manage to build its development on more solid bases and more in accordance with its real interests.

Official Discusses Privatization Program

PY1901183095 Rio de Janeiro O GLORO in Portuguese 16 Jan 95 p 15

[Article by Ramona Ordonez and Cecilia Costa]

[FBIS Translated Text] The federal government will invest approximately $42 billion in infrastructure projects in the short term, but only in partnership with the private sector. This policy on the part of the Fernando Henrique Cardoso administration is clear for the new executive board of the National Bank for Economic and Social Development (BNDES), which was installed last week. Elena Landau, director of the BNDES Infrastructure and Privatization Department, emphasized that contrary to what it did in the past, the government will no longer contract debts to invest in infrastructure, because this can jeopardize economic stability.

Says Elena Landau: "The key word is partnership with the private and the public sector (state and municipal governments). It would be useless for the federal government to once again invest in infrastructure at the expense of contracting more debts. BNDES funds are not sufficient; much more is needed. Therefore, it is essential to create partnerships with the private sector in order to share expenses and risk."

The first step toward this partnership is the creation of a fund, with BNDES and private capital, for financing infrastructure projects. Similar funds exist, for example, in Chile, England, and Asia, where private capital from several sectors is used for investment in infrastructure projects in various countries. Elena Landau will travel to the United States at the end of January to study this possibility. She will visit the World Bank and the International Financial Corporation, which is a World Bank organ that finances the private sector.

During his swearing-in ceremony last week, BNDES President Edmar Bacha emphasized the bank's role as a partner of the Real and as a government agent for resuming economic development. This role, however, will be performed very carefully in order to prevent growth from jeopardizing economic stability.

The BNDES has completed a study on planning and priorities for its infrastrucutre investment in the areas of transportation, electric power, basic sanitary services (garbage collection and cleaning of urban areas), natural gas, telecommunications, and new areas of endeavor. The privatization and infrastructure department intends to discuss the study with the public sector (state and municipal governments, and ministries) and with the private sector, in order to jointly define the priority programs that will be developed and the quantity of funds that will be needed.

In the study on investment in infrastructure, the BNDES provides for making the telecommunications monopoly more flexible. That is why it considers the investment of private capital in this area.

The BNDES is waiting for President Fernando Henrique Cardoso to design his government's privatization timetable. Despite her claim that she does not know the new enterprises that will be included in the privatization list, Landau is certain about one point: The program will be accelerated, and will include new enterprises. She expects to have Escelsa [Espirito Santo Centrais Eletricas, S.A.] and the remaining petrochemical enterprises sold by May. She also expects to begin the process of renting the railway network, generating revenues of approximately $1 billion. The Meridional Bank and Light [Poser Services, Inc.] will be privatized in the second half of the year.

Elena Landau favors privatization, without restrictions, of all productive sector and public service enterprises, including state banks. She does not believe the Mexican crisis will hinder the privatization program, because the investors who buy productive enterprises are not those who speculate in the stock exchange. Elena Landau rejected criticism that the sale of minority shares owned by the government has saturated the market.

"I am not to blame if the BNDES made good transactions. The shares were purchased by whoever wanted to buy. The shares were offered during a 60-day period," she said.

The elimination of constitutional accessories, an expression used by BNDES President Edmar Bacha, is actually equivalent to terminating some monopolies, like the oil and telecommunications monopolies. In the opinion of Elena Landau, the elimination of constitutional accessories—or the elimination from the Constitution of the articles setting forth that mining and telecommunications are areas to be exploited by the Union—will facilitate and expedite the privatization program.

Actually, she said, it would be sufficient to withdraw from the Constitution the articles dealing with monopolies, and to regulate them by common laws. The fact that many matters involve Constitutional rights has affected the Brazil cost, making Brazilian products lose competitiveness.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

"The Constitution will be stripped of things that can be ruled by a common law. To make the telecommunications monopoly more flexible means to permit partnerships with the private sector, which can participate directly or through a concession," Landau said.

The Constitutional modifications that will facilitate the privatization program are the easiest to make, compared to other issues like the fiscal reform and the social security reform, Landau said.

"It would be sufficient to free foreign capital and mining, and to make the telecommunications monopoly more flexible. The oil monopoly will not be affected, on orders from President Fernando Henrique Cardoso," Landau said.

'Tequila Effect' To Cause Slowdown in Economic Opening

PY1801020295 Sao Paulo FOLHA DE SAO PAULO in Portuguese 15 Jan 95 Business and Economy Section p 1

[Article by Beatriz Abreu]

[FBIS Translated Text] Observing what has been happening to Mexico, the Brazilian Government has decided to slow down the process of the internationalization of the Brazilian economy. The idea of accumulating trade deficits has been abandoned, at least temporarily, and given place to a less bold policy. Exports are again increasing, and the government is no longer considering the possibility of intensifying the process that called for a reduction of import taxes and a further opening of the Brazilian economy.

The "tequila effect" has altered the fine-tuning of the Real Plan. The economic team is now talking about something different: the consolidation of the economic opening based on the definition of a new industrial policy, to be conducted through the adoption of measures protecting national industry and preventing a huge imports boom.

Finance Ministry advisers assert that the possibility of returning to the past is not under discussion. They propose consolidating the achievements resulting from the opening of the economy, but based on a new stance. The economic team opposes protectionist systems and the generous subsidies that had been in force in the country until recently. The new policy does not contemplate subsidies or border protection systems. Government actions will resort increasingly to anti-dumping and compensatory measures.

Central Bank President Persio Arida has confirmed the new orientation. In a speech delivered at the ceremony last week during which he was installed, Arida asserted that the government will eliminate all barriers, subsidies, and obstacles of a regulatory nature that prevent market competitiveness and healthy price competition. This, however, does not mean that the government will abandon national production. The team has been analyzing the possibility of offering benefits through better financing schemes. The objective is to reduce the bureaucratization of production. The path of the new industrial policy, however, has still not been detailed.

Chile

Military Court Applies Amnesty in Two Cases

95P20389A Santiago LA NACION in Spanish 22 Dec 94 p 7

[Article by Pedro Vega]

[Text] The Court-Martial unanimously confirmed yesterday the definitive closing of, and application of the Amnesty Law to, the case of the kidnapping of MIR [Movement of the Revolutionary Left] member Alfonso Chanfreau Oyarce, who had been arrested by the DINA [National Intelligence Directorate] on 14 July 1974. The military court handed down the same ruling regarding the case of Juan Carlos Ferelman Ide, a MIR member arrested on 20 February 1975 by agents of the state.

This time the amnesty was applied because in both cases the military court acknowledged that crimes were committed and dismissed the cases, which fall into the first period of the military regime, during which various human rights abuses occurred. The substantial difference from the human rights cases that the court has overturned recently is due to the fact that as long as a crime is not identified and acknowledged as such by this court, it is not possible to apply the Amnesty Law to the defendents.

The military judges argued in the Chanfreau case that "the Geneva Convention is not applicable to the period covered by the Amnesty Decree-Law (1973-78)," and therefore concluded that the international conventions do not take precedence over the decree.

For the plaintiffs' lawyer, Nelson Caucoto, who said that he will appeal to the Supreme Court, the interesting thing about the verdict "is that it acknowledges that with respect to Alfonso Chanfreau the crime of illegal arrest was committed. This is progress for the military justice system."

Concerning the military court's disregard of the international conventions, Caucoto added that "it has again fallen into some type of prior pronouncement of one of the Supreme Court panels by making a distinction that is abstract and false. It is disregarding the existence of an internal war, and this will continue to cause controversy."

Commentary on Stakes in Letelier Case

95P20388A Santiago LA NACION in Spanish 18 Dec 94 p 4

[Commentary by Sergio Munoz: "The Rocky Road of Justice"]

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

[Text] On Friday of last week LA NACION published an interview with Socialist Deputy Juan Pablo Letelier in which he revealed the existence of uneasiness in the Army regarding the possible sentence of (retired) General Manuel Contreras Sepulveda for his responsibility in the homicide of former Foreign Minister Orlando Letelier. According to the deputy, this uneasiness was formally expressed to the Executive by the commander in chief, supposedly as part of an effort aimed at obtaining from the Supreme Court a reduction in the sentence that Judge Adolfo Banados had handed down, in order to prevent Contreras and active duty Brigadier Pedro Espinoza from going to prison.

This interview stirred up the waters of this calm December, and Ministers Figueroa and Brunner denied the alleged pressures by the Army, while reaffirming that the government had nothing to do with judicial rulings. For his part, Army Judge-Advocate Fernando Torres Silva confirmed that "there is concern" in that institution about Contreras's fate.

In fact, the signs of this concern have been detected by different radars in recent days, as the friends of the former DINA [National Intelligence Directorate] chief surely desired. They have never ceased to use the power they still have to help this controversial figure, who surely has already gained a mention in the Chilean history books. These friends have not left any recourse unused to save Contreras from a sentence about which, by now, few Chileans have any doubt. Expert in the game of corporate loyalties, the formerly powerful chief of the repression has been especially skillful in pressuring here or threatening there to obtain the support that has allowed him to remain out of prison up to now.

This is perhaps the last or next to last skirmish in a battle that has gone on for 18 years now and in which the possibility of establishing the truth with respect to the treacherous murder of Orlando Letelier at the hands of the DINA has been at stake. The cover-up maneuvers, the threats, the legal sophistries, the lies that have tried to block this process would certainly be enough for a bulky book, in which a special chapter would be devoted to the courage of the Letelier family's lawyers—including the former foreign minister's own sister—who have not backed down in their effort to get justice.

As you know, in the Letelier case it was possible to gather the evidence that has not been obtained in many other crimes committed by the DINA during the years of the dictatorship, of which the Rettig Report is the bill of indictment. The circumstance that the murder of the former foreign minister was committed in Washington, and that an American citizen also died, undoubtedly influenced the investigation that was carried out by American law enforcement. After all, the terrorist act in 1976 represented a genuine challenge to that country's institutions.

Thanks to the evidence provided by American law enforcement, the confessions of some of those involved in the crime—like Michael Townley—and of course the investigations carried out with particular zeal by Judge Banados, we have reached the current situation in which Contreras's lawyers would be pleased if their defendent did not go to prison.

There are sectors that still think that a kind of "political arrangement" is possible regarding the human rights violations, and to obtain one they have sent messages to the most well-disposed ears. Although the prospect of a general amnesty law has become more distant, the alternative they are now considering is a pardon that supposedly would have the great virtue of improving civil-military relations. Unrealistic thinking can become foolhardy.

What the vast majority of Chileans hope is that the courts of justice will carry out their task in accordance with the law, without entertaining pressures. That is the only possibility so that the new generations will perceive that things are finally changing in Chile and that there is room for hope.

Too high a price has been paid to gain the freedoms we now have- -including the precious freedom of information—for us to hesitate in defending them. If we have reached this point in the road with so much sacrifice it is precisely so that the judges will feel authorized to punish crimes and uphold the principles of the law.

We will be able to say that the democratic system is working as it should when the representatives of the state can do their duty without fear of the reaction of the so-called "vested interests" and when the law is applied equally to all.

Colombia

ANIF President Critiques Economic Policies

95CA0090A Santa Fe de Bogota EL ESPECTADOR in Spanish 27 Dec 94 p 6B

[Interview with Javier Fernandez Riva, president of Colombia's National Association of Financial Institutions, ANIF, by Efrain Pachon D.; place and date not given; first three paragraphs are introduction]

[FBIS Translated Text] The most complicated problem the Samper administration will have to face in 1995 will be the fiscal problem. The limitations are enormous, and the possibilities of raising tax revenues are few.

Minister Hommes [former finance minister] misled the nation when he promised that the tax increase was temporary.

ANIF's president, Javier Fernandez Riva, examines 1994's record and the prospects for 1995.

[Pachon] How do you view the record for 1994?

[Fernandez Riva] Our growth is better, especially with more added value growth. Inflation did not improve, but

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

it did not get worse either. Colombia is stronger now than it was two years ago. Industry grew robustly, and construction did well until September. Agriculture recovered. Coffee, textiles, the clothing industry, and footwear fell behind. Growth was quite balanced.

[Pachon] What do you think of the Samper administration's economic policy?

[Fernandez Riva] It has not been able to communicate a sense of consistency. Moreover, it is going to have to face some very complicated fiscal issues. Its room for maneuver is limited. But not everything will be difficult, for a coffee recovery is expected, there was an upturn in the world economy, and Cusiana [major oil project] is coming.

[Pachon] What is your opinion of the government's economic team?

[Fernandez Riva] The members of the team can handle the challenges and limitations. The attitude of those who are trying to portray Minister Perry and the director of planning, Jose Antonio Ocampo, as people from another century is unfair. They are well prepared, and they are going to deal with the problems.

[Pachon] Are there too many goals for the economic policy?

[Fernandez Riva] That is true. They are taking on more than they will be able to handle. The development plan, for example, contains both the human and the divine. Priorities are needed. There are too many things: the environment, infrastructure, and social issues.

[Pachon] What is the biggest challenge the government faces in 1995?

[Fernandez Riva] The major problem will be in fiscal matters. It will have to slow down spending. Tax rates will stay at their present levels. Money will be tight. The expansion of the last two years will disappear. There will be a revaluation; otherwise, it will be very difficult to reduce inflation. I am afraid we are going to have a recession in the construction industry, which is very disturbing in terms of jobs, which is another of the government's priorities.

[Pachon] How bad will the construction crisis be?

[Fernandez Riva] The boom lasted longer than expected. The sector is slack now. There are problems with saturation. There is no money in the Upac [constant purchasing power unit] system and no land for low and moderate cost housing. But the most serious thing is the rise in interest rates. In the United States when interest rates rise two points, construction slows down.

[Pachon] There is some fear of another tax reform....

[Fernandez Riva] Tax rates are going to stay at their present level. How the devil could they lower them? Hommes misled the nation when he promised that the tax increase was temporary. I think it would be a colossal mistake to raise taxes any more. The country cannot continue to change its tax structure every two years.

[Pachon] Would the ideal thing be to cut taxes?

[Fernandez Riva] Recommending a tax cut in the present circumstances is irresponsible.

Interest Rates Sky High

[Pachon] Who is responsible for the rise in interest rates?

[Fernandez Riva] That is an inevitable consequence of demand for credit and the attitude of brokers who are willing to meet that demand at any cost. The rise occurred in passive rates that rose from an average of 25 percent in June to 42 percent in December. Operations of up to 48 percent were recorded.

[Pachon] But people say that the Bank of the Republic was mostly responsible for driving rates up?

[Fernandez Riva] It was a general forecasting mistake made by the same monetary officials who gave the signal that rates were going to be stable and low. It was a market problem that was complicated in September when the board of directors of the Bank of the Republic began to conduct Omas [Open Market Operations] at 36 and 37 percent. That put pressure on the market more than the account.

[Pachon] Ultimately, was the board responsible?

[Fernandez Riva] I do not put the blame solely on the board, but it did make a blunder in September.

[Pachon] What did the bankers do?

[Fernandez Riva] The financial sector was overly optimistic. By the time they realized the situation, savings grew scarce. And when pressure on interest rates was enormous, the Bank of the Republic made the situation worse by placing Omas.

[Pachon] Was Colombia's portfolio damaged?

[Fernandez Riva] There has been a deterioration in our holdings that is of concern, but it is not critical. If the economy were in bad shape, the situation would be different. In Colombia there are strict controls on the portfolio. The bad portfolio levels are lower than in Mexico and similar to what they are in Chile. Consumer credit was damaged. Eleven percent of the credit card portfolio is in default. But we are not going to reach critical levels. The crisis in the last decade taught both government officials and bankers a great deal.

Observing the Clash From the Sidelines

[Pachon] What do you think of the clash between the government and the board of the Bank of the Republic about the advance in the new exchange scale?

[Fernandez Riva] It was a mistake on the government's part to air that publicly. That does the country no good.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

The board of the bank acknowledged that it has made mistakes, but it would have been a very grave error to postpone the revaluation. A measure of that type cannot be put off.

[Pachon] Was Minister Perry right in asking for a postponement in changing the exchange scale?

[Fernandez Riva] If, for example, $1 billion had come in and the bank bought those funds at an average price of 834 pesos, people would have criticized him for giving that money away to speculators by supporting the dollar's price. The minister's position is debatable, but defensible. If the objection is because the measure was not postponed for 20 days, that is unacceptable.

[Pachon] Was the government very aggressive in its position toward the Bank of the Republic's board?

[Fernandez Riva] The government's attitude was not a good one. If it had counted to 10, it would not have reacted as it did.

[Pachon] Does that hurt Colombia's image abroad?

[Fernandez Riva] In principle, it is a display of the independence of the Board of Directors of the Bank of the Republic. But if a law is announced to curtail the central bank's autonomy, that does us a great deal of damage.

[Pachon] What is your assessment of the exchange management?

[Fernandez Riva] The modification of the exchange scale was necessary. We need to try to avoid a revaluation. We already have a great many limitations. Continuing to revalue is very dangerous. President Samper's phrase saying that the friends of revaluation are the enemies of economic liberalization is the truth.

[Pachon] Is the influx of capital very great?

[Fernandez Riva] The interest rate differential favored a significant influx of capital. Not all of it is speculative, for a lot of foreign currency came in for the cellular telephone system and the privatizations. The capital coming in during the second half of the year was more speculative. The deficit in the current account is disturbing.

[Pachon] What have the big mistakes of the board of the Bank of the Republic been?

[Fernandez Riva] Decontrolling the influx of capital and reducing interest rates too much at the outset. Extremes are bad. Another technical and painful error was underestimating the economy's needs for liquidity, and that triggered the rise in interest rates. When the board tried to restrict credit it blundered because in the base for limiting the portfolio it included loans that had been approved and not disbursed. That made the measure lose its effect. And raising rates when market rates were high was another mistake. It reacted to that mistake, and it is now lowering interest rates on the Omas. Mistakes have been made, but it has not been a disaster. Another error was its indifference toward the behavior of the interbank rate. It should have intervened to stabilize that rate.

About the Pact

[Pachon] What do you think of the Social Pact?

[Fernandez Riva] I am very pleased with it, but I have modest expectations. It is not a miracle cure. It is going to help to achieve the goal of 18 percent inflation without economic growth being under six percent. Without the pact it would be highly possible that we might run into trouble next year.

[Pachon] What do you not like about the pact?

[Fernandez Riva] I do not like price controls in social pacts. We have a chance of reducing inflation to 18 percent, even by the middle of next year. Just the fact that public service fees, transportation costs, and gasoline prices are being readjusted to this level helps a great deal.

[Pachon] The business associations are still complaining but not making many suggestions?

[Fernandez Riva] I think the associations have evolved; they have been under some very strong pressures to make them change. Now they have to say things of much more substance than in the past. Their lobbying activities have declined with the reduction in regulations. Earlier, some association directors were concerned about putting pressure on the imports board and on the officials responsible for foreign investment. The same thing happened with the Customs Policy Council. Now that their lobbying activity has diminished, the associations are expanding services to their members.

Impact of Violence on Migration Studied

95CA0097A Santa Fe de Bogota EL TIEMPO in Spanish 20 Dec 94 p 2

[FBIS Translated Text] *According to a study by the Bishops Conference, the final results of which were released this week, over half a million displaced persons are now unprotected and demanding aid.*

"They burned my little house and animals"...."They thought I was a 'snitch'"...."We were being threatened"...."They were going to kidnap my son"..."We were very frightened"...."The guerrillas were trying to take the young people away."

This is only part of the testimony from families forced to abandon their land, their crops, or their small houses, and to move to other regions in search of peace and calm.

They have been displaced by the violence in Colombia: thousands of persons swelling a long list of the unemployed, abandoned, embittered, and desperate. They are

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

people crying out for help, with debts owed to financial corporations, not knowing how to work, and some even unable to read or write. All they knew was how to plant and plow, and now they lack a roof over them for survival.

Thus, there are between 544,801 and 627,720 persons displaced for reasons of violence during the past 10 years, according to the final report of the study on "Human Rights and Internal Displacement in Colombia," prepared by the Bishops Conference of Colombia.

"The average number of displaced persons is 586,261, comprising 108,301 households."

Many Causes

According to the Catholic Church, "Although it is difficult to establish a clearcut division between the causes brought on by the internal armed conflict, with the political violence generated by it, and the economic causes cited by the displaced for leaving the stricken areas, one cannot ignore the presence of the guerrillas, kidnapping, extortion, threats, the paramilitary groups, and other conditions forcing people to leave.

"The guerrillas have expanded their radius of action in the country, resorting to out-of-battle homicide, kidnapping, forced recruitment of youths, use of weapons with an indiscriminate effect (mines that explode when stepped on), and other types of violence prompting displacement.

"Paramilitary and self-defense groups, and members of the private justice system that attempted to combat the guerrillas, are responsible for many massacres, out-of-battle homicides, forced recruitments, threats, attacks, cruel treatment, and torture perpetrated against the non-combatant civilian population.

"As for the public force, the displaced refer to the military forces, the National Police, and the DAS [Administrative Department of Security] as those responsible for outrages, threats, torture, abuse of authority, joint action with paramilitary groups, indiscriminate bombings and machine-gunning, rapes, robberies, and forced disappearances."

Added to this list are the People's Militias, the emerald prospecting operations in Boyaca, and the drug traffic (marijuana, coca, and poppy growing), which is responsible for 2.56 percent of the displacements.

Not to be omitted were enmities with neighbors and in the family itself, the use of henchmen, landholders, political affiliations, religious beliefs, and even differences with professors and teachers.

In general, the causes may be summarized thusly: threats are responsible for 46 percent of the displacements; attacks, for 11.24 percent; homicides, for 16.94 percent; torture, for 4.76 percent; bombings, for 2.05 percent; eviction, for 6.12 percent; coercion, for 3.65 percent; and other causes, for 9.24 percent.

National Map

Based on its research, the Church prepared the map of forced displacement, showing that the departments which the majority of displaced persons were forced to leave are: Antioquia and Santander, first; followed by Meta, Cordoba, Boyaca, Cauca, Bolivar, Norte de Santander, Cesar, Arauca, Magdalena, and Cundinamarca.

The departments receiving most of the displaced population are: Cundinamarca, Santander, Antioquia, Cordoba, Norte de Santander, Boyaca, Atlantico, Bolivar, Cauca, Arauca, Valle, Magdalena, Meta, Sucre, and Caqueta. Those receiving a smaller proportion are: Huila, Cesar, Narino, Caldas, and Tolima. And the cities receiving the largest numbers are: Bogota, Medellin, Cali, Barranquilla, Bucaramanga, Barrancabermeja, Giron, Monteria, Villavicencio, Apartado, Cartagena, Cucuta, Sincelejo, Santa Marta, Cienaga, Palmira, Arauca, Tunja, Sogamoso, Duitama, Ocana, Pasto Florencia, Valledupar, Ibague, Manizales, Tame, Pereira, Armenia, Quibdo, Yopal, and Riohacha.

Many have crossed the border to other countries, such as Ecuador and Venezuela; and others have moved from one place to another. For example, 20.08 percent have moved just once; 56.32 percent, twice; and 23.60 percent, three or more times, in search of work, either as laborers, street vendors, or teachers. They are seeking health and education, but few have had success.

Only a few have organized, and receive support from cooperatives, trade unions, and other associations. The rest are beset with physical and psychological problems. According to the Church, although some have received assistance, there is a striking "absence of complete service programs for the displaced."

The study was conducted by the Episcopacy and its National Secretariat for Social Pastoral Action, Human Mobility Section. It was directed by the priest, Francisco Zuluaga, with Jorge Rojas Rodriguez and Claudia Clavijo as principal researchers. Displaced families, and public and private institutions, among others, were interviewed.

[Box, p 2]

Immediate Attention

Together with its X-ray of the displacement phenomenon, the Church gives some recommendations.

- It claims that, "Both prevention of displacement and protection and assistance for those affected are incumbent on the state, because it has the constitutional responsibility for guaranteeing the full effective exercise of the human rights of Colombians."
- It calls for a change in mentality: acquiring awareness of the value of fraternal coexistence, respect for differences, and defense and protection of human rights.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

- It urges the establishment of an agrarian policy that will benefit the rural areas.
- It advocates winning peace and progressing toward the complete effective exercise of human rights, as well as social, economic, and cultural rights. Specifically, it asks the government to persist in useful dialogue and negotiation processes, as the only possible means for advancement in overcoming the internal armed conflict.
- While peace is being achieved, it suggests the generation of systems to protect the civilian population in areas of conflict, based on Protocol II.
- It demands immediate humanitarian aid and action for the monitoring, return, and reinstatement of the displaced.
- It calls on the guerrillas to abide by the rules of humanitarian international law, to decide on a political position on behalf of a negotiated peace, and to contribute to the efforts being expended by the civilian society.
- It requests that the Church itself create an awareness of the seriousness of the displaced persons phenomenon, commit itself to solving the problem, and denounce human rights violations.

Those Responsible for the Displacement (according to armed sector)

Group	Percent
Guerrillas	31.87
Paramilitary	21.08
Military Forces	19.56
Others	9.88
National Police	5.42
Drug Traffickers	4.52
People's Militias	3.84
Emerald Prospectors	2.25
DAS	1.58

Graphic: Editorial Design/EL TIEMPO

Percentage of Displaced Persons (according to age groups)

Under 20	30.75
From 30 to 40	17.80
From 40 to 50	15.63
From 50 to 60	10.83
Over 60	5.54
No information	2.12

Graphic: Editorial Design/EL TIEMPO

Ecuador

Defense Ministry Communique Refutes Statement on Peruvian Border Unit

PA1901185595 Madrid EFE in Spanish 2239 GMT 18 Jan 95

[FBIS Translated Text] Quito, 18 Jan (EFE)—Active and retired senior military officers are fueling the infighting among members of the corps with mutual accusations of passivity and inaction over the Peruvian Army's establishment of the Pachacutec Detachment in an Amazon border zone that Ecuador claims as part of its territory.

In a communique issued today, the Defense Ministry denied statements by former President Leon Febres-Cordero (1984-1988) and former Army Commander General Jorge Azanza (retired) that the Peruvian Army set up the detachment between December 1990 and January 1991, after they had left their posts.

Current Defense Minister General Jose Gallardo, who served as chief of the Army in 1991, and the Military High Command responded by saying the Pachacutec Detachment dates back to 1987 and that then-President Febres-Cordero deliberately abstained from ordering a response to the virtual "occupation," although Peru maintains that the military unit is located in its territory.

Gallardo and now-Guayaquil Mayor Febres-Cordero have been embroiled in a dispute for some months, ever since the former refused, "out of social sentiment" as he put it, to allow soldiers to evict low-income families from land belonging to Guayaquil Municipality.

On 12 January, the day after a skirmish that left no casualties among Peruvian or Ecuadoran soldiers in the zone, Febres-Cordero threatened to hand the press a secret military document which, he claims, shows the Pachacutec Detachment was created when he was no longer in office. Febres-Cordero has been ordered to hand over the document or face a military court-martial.

The Defense Ministry communique noted that on that same day Febres-Cordero accused Gallardo of deceiving the people of Ecuador and of "maintaining a criminal silence." According to the communique, Febres-Cordero's accusations are false and demonstrate "absolute contempt for the patriotic imperative of Ecuadorans remaining united in the face of international danger."

Later, Gen. Azanza, Army chief in 1987, came out in defense of Febres-Cordero and confirmed that at that time "there was no Pachacutec Detachment or any indication that it existed"—a claim Gen. Gallardo has termed as "absolutely false."

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

The communique noted that Azanga told the Joint Command on 21 May 1987 that "the existence of the detachment has been confirmed," and that on 10 June of that year it added to the information by stating, "the Pachacutec Detachment comprises 40 soldiers, seven straw buildings, and two helicopter landing strips, and it covers an area of 500 square meters."

The related documents, the defense minister said, will be handed over to the congressional National Defense Committee "to enable it to verify their authenticity and to report to Congress and inform the people of the truth."

"It is regrettable to have to make these explanations, but the people of Ecuador must be informed properly on a matter the defense minister has been forced to handle publicly to protect the historic truth," the communique added.

The communique ended by revealing that immediately after taking charge of the Army, Gen. Gallardo created the Etsa Detachment in January 1991 "for the purpose of preventing incursions by Peruvian soldiers of the Pachacutec Detachment."

Uruguay

Brazilian Foreign Minister Arrives, Meets Lacalle

PY1901170295 Madrid EFE in Spanish 0040 GMT 19 Jan 95

[FBIS Translated Text] Montevideo, 18 Jan (EFE)—The future of the Parana and Paraguay Rivers transport route, the regional integration process, and bilateral relations were the most important topics discussed by President Luis Alberto Lacalle and Brazilian Foreign Minister Luis Felipe Lampreia.

The river transport route, which opened several months ago, and which will have legal status as of 13 February, currently allows Bolivian and Paraguayan exports an outlet to the sea via the Uruguayan port of Nueva Palmira, and it is also hoped that it will be useful for the exports of Brazil's southern states.

Official spokespersons stated that Lacalle expounded to Lampreia his desire to promote the river transport route "as a tangible demonstration of the success of regional integration."

The progress of the Common Market of the South (Mercosur, which includes Argentina, Brazil, Paraguay, and Uruguay) was another topic discussed in the meeting between the Uruguayan president and the Brazilian foreign minister.

The current moment being experienced by the Mercosur, the future measures for its strengthening, and the possibilities of the membership of other countries within the region (Bolivia, Chile, and Peru) were also discussed, according to the spokespersons.

Afterward, the Brazilian foreign minister met with Uruguayan President-elect Julio Maria Sanguinetti, and the two evaluated future bilateral relations.

Lampreia arrived in Uruguay from Paraguay, where he began his first official tour of the Mercosur countries. On 19 January he will travel to Argentina.

The Brazilian foreign minister also announced that in Buenos Aires he will study with his Argentine colleague, Guido Di Tella, the possibility of more fluid relations between ministries.

"This is a good policy that is used a lot in Europe; in other words, meetings between ministers that have the same posts in order to have more fluid relations and to be able to promote joint projects," Lampreia said.

The minister stressed in Montevideo that the regional integration process is a priority for the government of Fernando Henrique Cardoso.

Discusses Mercosur, Export Taxes

PY1901221295 Madrid EFE in Spanish 2043 GMT 18 Jan 95

[FBIS Translated Text] Montevideo, 18 Jan (EFE)—In remarks made in Uruguay on 18 January, Brazilian Foreign Minister Luiz Felipe Lampreia said that the stability of Brazilian currency (the real) is something that concerns and benefits the whole region, and confirmed that Mercosur is uppermost on the list of Brazil's priorities in the area of foreign relations.

Lampreia is visiting Uruguay as part of his first tour of the Mercosur member countries following the inauguration of Brazilian President Fernando Henrique Cardoso on 1 January.

"Economic stability on the domestic front and the consolidation of Mercosur are the Brazilian Government's top priorities," he stated.

According to the Brazilian foreign minister, "the stability of our currency is something that concerns and benefits the whole region. We recently had to implement some short-term adjustment measures to head off an imbalance that could have triggered an escalation of prices."

One of the measures was the application of a 15 percent tax on exports of industrial input, some of which Uruguay imports for its chemical, plastic, and leather industries. These industries had to partially absorb this tax, and the increase in their production costs led them to lose competitiveness on the international market.

Uruguayan Foreign Minister Sergio Abreu discussed this issue with his Brazilian counterpart today, as Uruguay believes that this levy violates the integration agreements currently in force.

Abreu told the EFE news agency that "Minister Lampreia was very receptive, and we can announce that the issue of chemicals and leather has already been settled.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

The only thing pending is the subject of plastic, but the Brazilian authorities have shown they are willing to find a solution to it."

Lampreia stated: "We are aware that the implementation of the tax caused some problems in Uruguay and Paraguay (the first country that the Brazilian foreign minister visited on his tour), but we are confident that we will work out a formula to solve this problem."

The head of Itamaraty also underscored that the four Mercosur member countries hope their integration endeavor will serve to foster relations with other blocs.

"This market is not a union of four countries against others; on the contrary, we are open to other countries in the region joining Mercosur, as may be the case with Chile and Bolivia, and we wish to enhance commercial ties with the EU and NAFTA," he added.

The Brazilian foreign minister conceded that the implementation of a customs union between Mercosur partners (Argentina, Brazil, Paraguay, and Uruguay) on 1 January "encountered some minor problems at its inception due to lack of information."

Lampreia also commented on the situation confronting Mexico following the sudden devaluation of its currency.

"We have friendly political relations with Mexico, and the volume of trade between Brazil and Mexico is very significant. Mexico's domestic situation may hamper trade flows, but we must find a solution to it, as Brazil wants to maintain close trade relations with Mexico," he pointed out.

Lampreia is scheduled to meet with Uruguayan President Luis Alberto Lacalle and with President-elect Julio Maria Sanguinetti, who will be inaugurated on 1 March. He will also visit the Latin American Integration Association (ALADI) headquarters.

IDB Head Discusses Mexican Crisis, Support for Projects

PY1901165295 Madrid EFE in Spanish 0058 GMT 19 Jan 95

[FBIS Translated Text] Montevideo, 18 Jan (EFE)—Inter-Amercian Development Bank [IDB] President Enrique Iglesias stressed today that the lesson Latin America must learn from the recent economic crisis suffered by Mexico consists of the need to resolve pending matters in order to have more stable economies.

"The Mexican crisis caused concern—to my understanding, a disproportionate concern—but the lesson that we must learn from this situation is, precisely, the fact that it is imperative to resolve pending problems in Latin America in order to have stronger and more stable economies," Iglesias stressed.

According to the IDB president, social security and the fiscal deficit are the two "fundamental and determining" matters for the region's economies.

"Fortunately, Mexico, with the support of the United States, is overcoming the situation that it is experiencing and this brings tranquillity, which is very important for all of Latin America," Iglesias said.

"Today the region has changed; it is transforming. It is modernizing, and it is experiencing a globalization process, but it is necessary to have revamped national economies in order to prevent the ups and downs of another country from affecting the whole region," Iglesias added.

Iglesias also highlighted the growth, from $60 billion to $100 billion, of the IDB's funds, which will directly benefit Latin American countries. The nations will now be able to have access to larger loans for different projects.

In Uruguay's case, Iglesias and President-elect Julio Maria Sanguinetti, who will take over as president on 1 March, evaluated the support that the IDB will give to several projects.

The bank will give support to small enterprises that must reorganize in order to compete within the Common Market of the South. It will finance improvements in the educational and health sectors and studies to resolve the social security problem that Uruguay has been facing for many years.

Economic Authorities Comment on Mexican Crisis Impact

PY1901135395 Montevideo BUSQUEDA in Spanish 12-18 Jan 95 p 1

[FBIS Translated Text] As if it were a walled island, Uruguay has not been affected by the financial crisis that broke out in Mexico and spread throughout Latin America, and may still benefit from it, local economic authorities have pointed out.

The long-standing practice of complying with public commitments, the microeconomic situation, and the existence of sufficient reserves to cope with any situation contribute to the absence of shocks in a small stock market, with government stocks that are scarce on the international markets and abundant and well-reputed in our region.

"There have been no repercussions, nor will there be any," Central Bank President Enrique Braga categorically told BUSQUEDA. "In addition, an increase in bank deposits can be expected with capital that is leaving Argentina," he said.

Financial sector sources have stressed that since 9 January "there has been an incipient entry of capital from the neighboring country." "A retraction in the demand for Argentine issues is the only repercussion that can be expected, and eventually those funds could be used to purchase Uruguayan bonds," it has been said.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Alberto Bension, executive director of the Uruguayan Association of Banks, said on 11 January that according to the initial information, "the banking sector is operating in a totally normal way and there are no institutions in difficulties."

Operators have explained that the jump in the price of the dollar this week, 4.3 percent above the floating line on 11 January and 5.2 percent up to the present time, is due to local factors, such as an excess of liquidity and the traditional entry of foreign exchange vis-a-vis tourists.

Javier de Haedo, director of the OPP [Office of Planning and Budget], recalled that "there are Latin American countries that have a recent tradition for good conduct, but Uruguay has always paid its obligations punctually."

"The precautionary conduct of the current government in the matter of reserves, added to its good tradition and the orderly situation of the economy, is the explanation of why this crisis has not hurt us," he said.

With the excessive indebtedness that was adopted as a policy in 1994, and a net profit of some $240 million (1.5 percent of the GDP), it was something like collecting buckets of water to fight an eventual fire. This could have happened in an election year with a parity of forces, and today it is operating in a similar way in view of the incendiary situation the Mexican fire caused.

Moreover, the Mexican situation—a deficit in the current account of the balance of payments, fiscal deterioration, and a lack of reserves—is a contrast with the rest of the region.

Uruguay will close 1994 with a fiscal deficit amounting to 2.8 percent of the GDP (0.9 percent when adjusted for inflation) and an imbalance in the current account amounting to just under 2 percent of the GDP, and with reserves amounting to some $1.5 billion. Argentina has reserves amounting to $17 billion and a deficit in the current account of some 3 percent of the GDP. Brazil has reserves amounting to $40 million and the current account deficit is 0.15 percent of the GDP.

Sanguinetti Sector Considers Economic Situation 'Alarming'

PY1901142895 Montevideo BUSQUEDA in Spanish 12-18 Jan 95 p 1

[FBIS Translated Text] There is a profound concern within the ranks of the government-elect because it is believed that some economic figures with which the National Party government is going to end its term are sinking the country into "an alarming situation."

High-ranking sources of the [Luis Maria] Sanguinetti sector told BUSQUEDA that "the situation has been deteriorating and we said this during the election campaign, but no one paid any attention to us while the figures arrived late. Now it is being confirmed that the situation is alarming."

The sources underlined the "huge deficit" that is coming to light, but they also indicated that in other areas "the figures get worse every day."

The deficit of the public sector for the 12 months up to October 1994 amounted to $380 million, equivalent to 2.5 percent of the GDP. Unofficial estimates indicate that up to December 1994 the public deficit will amount to 3 percent of the GDP.

The Sanguinetti sources have also expressed their concern because "the situation is also alarming throughout the Americas," and they indicated that although the stock market has not been affected, there "is an evident fiscal repercussion because of the increase in interest rates."

The sources stressed that the future economic team has not yet defined any measures with which to face this situation.

Stock Market President Notes Investment Opportunities

PY1901131395 Montevideo BUSQUEDA in Spanish 12-18 Jan 95 p 24

[FBIS Translated Text] While investors in the Latin American markets are divesting themselves of their Mexican, Brazilian, Argentine, Chilean, and Peruvian issues, Ignacio Rospide, president of the Montevideo Stock Exchange (BVM), is confident that the crisis will pass quickly and he recommends the purchase of those issues.

"This is the time to enter Latin American markets, because when everyone is selling one must buy in order to sell later, when everyone is buying," Rospide told BUSQUEDA.

To back these words with action, the BVM president announced that in February negotiable debentures of an enterprise installed in Brazil will be launched on the local market.

"This is a very significant and beneficial thing for Uruguay because there is now the possibility that offerings of other issues will be attracted," Rospide said.

Other sources have revealed that the value of those issues amounts to $7 million with a 3 year expiration period and with interest to be paid every 6 months at the Libor rate with a plus of 4 percent. The company is in the leasing business in Brazil and it is a subsidiary of a European bank.

Rospide admitted that "the investors (local) are on stand-by in terms of renewing investment in Argentina, and this is why they are seeking other alternatives." He said that "the situation (the stock market crisis) is going to be reversed," and he expressed his confidence that "Argentina will defend to the utmost its Convertibility Plan." He also noted that the Real Plan will be maintained in Brazil.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

According to Rospide, "if either of these two plans fails, then it will be a catastrophe for the Mercosur [Common Market of the South]."

Investment through the Montevideo Stock Exchange was directed at targets abroad, basically Argentina. But, this did not happen with other countries. The enthusiasm of the investors with Mexico in 1993 was not repeated in 1994.

While $23.4 million was invested in Mexican issues two years ago, only $4.2 million was invested in 1994.

The amount of investment (shares) in Brazil and Spain (bonds) has not been very large and it decreased in 1994.

The following is a breakdown of the total investment made through the stock exchange in 1994: Uruguay, 60.6 percent; Argentina, 38.2 percent; Mexico, 0.7 percent; and Brazil, 04. percent

Editorial Assesses Implications of Mexican Crisis

PY1901152995 Montevideo BUSQUEDA in Spanish 12-18 Jan 95 p 2

[Editorial: "The Mexican Heritage"]

[FBIS Translated Text] The mid-December issue of publications by important international portfolio management companies still recommended financial placements in emerging markets. The purchase of Mexican securities, Peruvian or Brazilian Government securities, and similar issues from Argentina were deemed to be and proposed as a good alternative for financial investors.

Only three weeks later, recommendations have changed considerably. The poor handling of the Mexican macroeconomic situation by the economic authorities in the administration of the recently inaugurated President Ernesto Zedillo—and particularly the unwise decision to modify the exchange policy on two occasions in less than a week and to leave the economic system without an anchor and at the mercy of violent attacks by adverse expectations—undermined investors' confidence in Mexico. The immediate reaction, which was compounded by a mistrust of investing in the other Latin American countries, plunged the countries in the hemisphere into a situation of great volatility and financial instability, which will inevitably have repercussions in the economies of most of these nations.

Portfolio managers and financial advisers are at present recommending that investors should eschew investments in—and pull them out of—Latin America and that they should channel their savings into other regions, preferably Southeast Asia, the United States, and Europe. As in September 1982, the flow of capital into Latin American countries has once again come to a halt and no extenuating circumstances, like the macroeconomic situation of each country, could avail as a buffer.

The deterioration of the Mexican economy came as a matter of course. Over the last seven years, Mexico has been spending more than it could afford. The financing of this excess spending was, therefore, gradually increasing. One can only spend more than what one has if one sells assets—in the case of Mexico, it privatized state-owned enterprises and sold public sector assets—or if one manages to find someone who finances one's expenditures—Mexican companies and the government itself managed to place considerable sums in debt securities among a wide range of international investors, who were lured by high returns and failed to handle risk in an appropriate manner. Still, this way of financing excess domestic expenditures cannot go on forever. There comes a time when one must introduce cutbacks in spending—expenditures in consumption and investments—so that they match domestic revenues, or rather are lower than revenues, because one must repay the loan plus interest. If, with the backing of credits, the economy is unable to develop its repayment capacity, a debt crisis or a payment crisis ensues. First the Central Bank is the one that bears the brunt of the onslaught of creditors by losing its reserve assets, and then creditors may subsequently have to resign themselves to not recouping all the money they lent, as was the case in the previous decade.

This process does not end, however, with the loss of Central Banks' international reserves and the losses suffered, willy-nilly, by investors. It also brings about serious problems in the real sector of the economy—interest rates go up, there is a shrinkage in financial wealth, investments and consumption plummet, production is considerably reduced, unemployment goes up, the local currency is devalued, and public finances further deteriorate, triggering a fiscal deficit which, at this juncture, is to a large extent financed with the only available recourse—inflationary finance.

From the 1960's, there have been financial crises in each of the subsequent decades. They have given rise to major—and always painful—economic adjustments in Latin American economies. It goes without saying that the countries in the hemisphere have learned many lessons after extricating themselves from the aforementioned crises. This notwithstanding, there is a common denominator in the genesis of these crises, which has not been combated. It is possible that, owing to the fact that in the period antecedent to the crisis there is economic growth spurred by domestic consumption, less unemployment, and a higher standard of living, countries do not realize that credit—which must be repaid with interest later—is what is really prompting that growth.

This negligence, which is evinced by the final consequences of living beyond one's means, is what prevents seeing the need for measures to dampen the economy so as to stave off market instability and volatility when the financial crisis breaks out. At a time when credit is abundant and countries can spend more than what their revenues allow them to, it is of utmost importance to

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

implement measures to contract aggregate demand; to put limits to private and public spending through restrictive measures, especially fiscal ones; and not—as generally occurs—to encourage the upsurge in the economic cycle through greater, or even the same, public spending.

We are at present going through difficult moments due to the financial crisis. Nevertheless, its consequences have not been felt in all their intensity. The example of bad economic management Mexico has given will result in the next five years being plagued with financial difficulties. This will in turn lead to an economic downturn and to an unfortunate decline in overall well-being. Some countries will feel the pinch more than others, but the common denominator in nearly all countries will be the difficulty they will experience in reestablishing levels of consumption that, had they been curtailed by an earlier dampening of the economy, would not have led to the unavoidable contraction that will surely not only ensue in the forthcoming years, but cause a sense of malaise as well.

Paper Comments on Argentine Reaction to Mexican Crisis

PY1801230895 Montevideo EL OBSERVADOR ECONOMICO in Spanish 12 Jan 95 p 2

[Commentary by Julio de Brun from "The Economic Week" column: "Argentina's Response to the Mexican Crisis"]

[FBIS Translated Text] During a news conference held before investors in New York on 10 January, Argentine Economy Minister Domingo Cavallo commented that "if push comes to shove it would be better to dollarize the entire economy—allowing banks to use either dollars or pesos—than tamper with the dollar-exchange system."

On the evening of 11 January, Argentine Central Bank President Roque Fernandez announced that monetary authorities had decided to eliminate the narrow band existing in the exchange between the peso and the dollar, and to adopt the famous rule "a dollar, a peso." Another announcement made concurrent with this one involved the reduction of banks' legal reserves, so as to alleviate the liquidity problems that some Argentine financial establishments are facing and to contribute to a reduction in currency costs. In order to further enhance the dollar-exchange system, the Central Bank decided that legal reserves in pesos may be held in dollars so that "there should be no doubt whatsoever about the government's commitment to upholding the Convertibility Plan."

The Argentine decision is imbued with a sense of realism. If the lack of confidence in the Argentine economy just lay in the fact that it had its own currency, then the Argentine Government decided to spare itself the trouble of having its own currency, and took a significant step to definitely eliminate its currency. The authorization for banks to hold their legal reserves in dollars to meet minimum cash requirements erases with a stroke of the pen one of the usual likely candidates for paying the inflationary tax. The reduction of the basis for the application of this tax also reduces considerably any incentive the government may use—thus taking some holders of Argentine pesos by surprise. In this regard, the decision is firm and effective.

The timing of the announcement of the measures also made a tremendous impact. Like an expert in special effects, Cavallo will be able to impress his interlocutors in New York on the last day of his visit with the alacrity with which he responded to the crisis. "Did you want to know what the Convertibility Plan is like? Well, here you have it on the stage, performing."

Behind the Scene

This notwithstanding, the analysis of the Argentine measures merits some other considerations. First, let us go back to the origin of the problem confronting Argentina. Why is there a flight of capital from Argentina, and not from the United States or Germany? There are two fundamental reasons, with two kinds of risks associated with them.

One is the exchange risk. Argentina is different from the United States and from Germany first and foremost because its currency is neither the dollar nor the German mark. As we have just pointed out, having one's own currency serves to collect inflationary taxes, and to cause those who made the unfortunate decision of trusting that currency and of amassing part of their wealth in that currency to suffer losses. The United States and Germany have built up a reputation for themselves in the spare use of that recourse on the part of the government (this is why their currencies are considered "hard currencies," even though the dollar has turned its fat into muscles since the 1970's). Argentina has established a reputation for the abusive use of this resource, and three years of good behavior are like a mischievous child who can only prove that he was able to be on "his best behavior" for a few days. Suspicious, his teacher thinks: "He behaved well for a couple of days, but at any moment..."

The Convertibility Plan was to the exchange risk what sitting in the first row is for a mischievous child. It curtailed the government's freedom to unexpectedly apply the inflationary tax, and with yesterday's measures, it gave the banking system the key to definitely escape from the possibility of being the payer of that tax.

Obviously, the holders of currency still remain on the scene. Nevertheless, for them the Central Bank has reduced exchange costs, enabling economic agents to swap Argentine pesos for dollars and swap them again for Argentine pesos at the least possible cost. If Argentina's problem had been only the exchange risk, then yesterday's measure would have been conclusive proof that Argentina "is not like Mexico."

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

The problem is, however, that besides the exchange risk, there is a "country risk" or "credit risk." It is not only a question of accepting the currency of a government, but also of granting loans to it in whatever currency, and of having some assurance that one will recover the capital upon maturity. Following the debt crisis in the early 1980's, Argentina, Brazil, and Mexico have a reputation that is as good as that of the Bad Guys [los Chicos Malos]. Therefore it is not only a question of dollarizing the economy, but of examining whether the country in question will honor its debts when they fall due.

This is Mexico's great tragedy, and the great uncertainty about Argentina. This is why the decision to show a fiscal surplus is crucial, because it shows that the country is not only able to pay interest on loans but also to repay part of its outstanding debt.

If holders of Argentine debt securities were to decide purely and simply not to purchase any more such papers, Argentine reserves would be depleted in meeting these external obligations. This would in turn bring about the debacle of the Convertibility Plan and cause Argentina to default on its external debt. Such a decision would nonetheless be absolutely irrational on the part of an investor if the country shows that its fiscal balance is sustainable. If the investor lacks confidence in the country he will at the most request a higher interest rate, but as time goes by, other investors who come into the scene will find the risk premium on a country having fiscal discipline too high, and interest rates will start to go down.

The Argentine Government should be given credit for having bet on fiscal balance. If it convinces the holders of its debt securities that it will achieve this, it will be able to resume growth in no time with lower interest rates. Mexico opted for the deceitful path of devaluation, and only the good standing of its trade partners will enable it to recover the international financial community's trust. Now that the results are in the public eye, it is easy to say which country chose the correct path.

Final Results of November General Elections Released

PY1901172495 Madrid EFE in Spanish 1530 GMT 18 Jan 95

[FBIS Translated Text] Montevideo, 18 Jan (EFE) — According to the definitive results of the elections, the Colorado Party won the general elections that were held on 27 November 1994 with an advantage of 22,799 votes.

The Colorado Party, headed by Julio Maria Sanguinetti, who will be installed as president on 1 March, obtained 656,183 votes, equivalent to 32.5 percent, and it will have 11 of the 31 seats in the Senate and 32 of the 99 seats in the Chamber of Representatives.

The National, or White, Party, which has governed since 1990, obtained 633,384 votes (31.4 percent), which gives it 10 seats in the Senate and 31 in the Chamber of Representatives.

The leftist party Broad Front, which participated in the elections under the name of Progressive Encounter, obtained 620,178 votes (30.8 percent); thus, it will have nine seats in the Senate and 31 seats in the Chamber of Deputies.

New Space, a party headed by young Rafael Michelini, which was the surprise factor in the 27 November elections, obtained 104,656 votes (5.1 percent), and it will have one senator and five deputies in the next Congress.

With the support of 45 percent of the population, the Progressive Encounter (Broad Front) was the winner of the elections in Montevideo, where practically half of the 3 million Uruguayans live.

The 27 November elections marked a milestone in Uruguay's political history because with their votes, the citizens decided to do away with the bi-party system.

Colorados, Nationalists, and candidates of the Broad Front are practically level in the vote tally and in the seats in Congress, and this has led the president-elect to seek agreements in order to be able to govern.

The complex electoral system in Uruguay includes counting the votes three times before a definitive proclamation is made; hence the late date for release of the definitive results.

Venezuela

Caldera Says Corruption Undermines Democratic Conscience

PA1901201895 Caracas EL UNIVERSAL in Spanish 17 Jan 95 Section 1 p 10

[FBIS Translated Excerpt] Yesterday President Rafael Caldera said that corruption has seriously undermined the country's democratic conscience.

The president's comments came at the swearing in of Adelso Gonzalez Urdaneta as commissioner for supervision of public administration. The ceremony, attended by government ministers, was held in Miraflores' Los Espejos Room.

The president said the struggle against corruption is one of the most serious commitments the current administration has made with Venezuelans. It is an arduous, constant, and difficult struggle because corruption has pervaded all of society and practically no sector has escaped untouched. Caldera said the struggle against this scourge is one of the most important for people striving to uphold democracy.

Corruption is viewed in Venezuela, Latin America, and elsewhere as one of the leading factors undermining the people's trust in democratic institutions. The struggle against it is aimed not only at establishing a code of

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

ethics but at reestablishing the people's faith in a democratic system that truly represents the interests of the people.

This is a hard and difficult struggle for us all. The country has created institutions to monitor the performance of public officials, but this is insufficient if we do not make a united and constant effort to join forces and act with conviction in this arduous and difficult struggle.

The president has decided that the designation of a full-time official with direct access to the president's office and with authority delegated by the president himself to investigate corruption is really necessary and will provide valuable support to for struggle we are waging.

I have appointed Adelso Gonzalez Urdaneta to this post; he is a very experienced Venezuelan, with a record of political activism and a reputation as an honest and principled man.

He is an activist of the party founded by Dr. Luis Beltran Prieto Figueroa who made the struggle against corruption one of his main objectives. We turst his abilities. We know that he is not the only one who must work; everybody must cooperate. Caldera urged his ministers, the presidents of autonomous institutions, and the directors of official institutions which depend on the presidency to provide whatever cooperation he requests, to answer all of the questions he may ask, and to give him all the information he may need.

Meanwhile, Central Bank Director Domingo Maza Zavala said at Miraflores that exchange controls will be maintained for as long as the situation demands.

The decision, he said, is to keep the dollar at 170 bolivares, adding that there are no plans for any exchange rate increase. Theoretical or technical reviews of the exchange rate are common. Such reviews, however, do not mean that any specific rate is going to be implemented. Rather, theoretical rates are used to determine the precise nature of the foreign exchange market.

[EL UNIVERSAL] What conditions could alter the exchange rate?

[Maza] The fiscal and monetary situation, the course of the financial crisis, the country's economic recession, oil prices, interest rates in the domestic and foreign markets—it involves all of this. In other words, some factors can be controlled by the country and others cannot, and this must be considered when deciding parity changes.

[EL UNIVERSAL] Is it not contradictory to have a 70 percent inflation rate and at the same time maintain parity?

[Maza] That was the case in the past. We are now looking at 1995, and we hope to keep inflation much lower than last year and to prevent a repeat of critical situations that acutely weighed on the country last year.

[EL UNIVERSAL] Even when the budget envisages an exchange rate of 180 bolivares for every dollar?

[Maza] One factor used to estimate what the budget should be is the exchange rate, but only as a point of reference. Decisions are not based on this.

Maza said the price of oil also is used as a reference point to estimate oil revenues, but this does not mean that the calculated price will prevail in the market. Maza also said no decision has been made regarding the zero coupon bonds.

Maza also stated his concern over the confrontation between the Deposit Guarantee and Banking Protection Fund and the Superintendency of Banks, "because the two institutions that have to deal with the financial system must work in a coordinated fashion."

Mexico's situation is different from that of Venezuela, Maza asserted. That country, he said, has too many problems, and they are not only of an economic, financial, and monetary nature; there are also very grave social and political problems. Here we have been able to overcome political stability problems. Also, our monetary reserves, our managing of foreign exchange, our control of imports, the management of our basic needs, and the size of our economy all differ from Mexico.

Federico Ramirez, president of the Venezuelan Workers Confederation, thinks President Caldera's designation of a commissioner to supervise public administration and to fight corruption is a good move. Ramirez said that within the next few days "we will officially make this position known to the president and talk with the business sector to seek ways of securing a substantial salary increase." He said that the 20 percent salary increase public employees will receive as of January and the 10 percent increase they will receive as of 1 July will serve as reference points for the private sector to increase its salaries accordingly. He said: "It is also necessary to review the minimum salary which right now is 15,000 bolivares plus 6,000 bolivares for transportation and food."

We believe, he said, that the minimum salary must be no less than 30,000 bolivares and must include the additional 6,000 bolivares. In Colombia, the minimum salary has just been increased to $147, while here it is less than $80. [passage omitted]

Central Bank President Opposes Nationalization of Banks

PA2001130095 Caracas Venezolana de Television Network in Spanish 0200 GMT 19 Jan 95

[From "The News" newscast]

[FBIS Translated Text] The government is not planning to nationalize the nation's banks, because this is not the best solution for the country.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Antonio Casas Gonzalez, president of the Central Bank of Venezuela, said the nation's banks will not be nationalized because this would prove extremely costly in the future.

Casas said that although it is easy to talk about nationalization, such a move would be the government's last resort, even if it were to be done without providing adequate compensation. If compensation were to be provided, the government would need a huge amount of resources, much more than what has been lost in the financial crisis.

[Begin Casas recording] A great deal of assistance has been given to those banks facing liquidity problems or the possibility of being left out of the clearinghouse. Many of them have received interbank credits, even from private banks. [end recording]

The Central Bank president said the government remains concerned about the rumors that always spread following the collapse of a bank. These rumors are harming the country very much.

As for the 800 billion bolivares worth of zero coupon bonds thrown into the streets with no backing, Casas Gonzalez said 200 billion bolivares have already been collected. As for the exchange rate of 170 bolivares per dollar, Casas Gonzalez said bolivares should not be traded at this rate, because this would hurt the country.

Haiti Seeks Resumption of Talks on Economic Aid

PA1901205695 Caracas EL UNIVERSAL in Spanish 17 Jan 95 Section 1 p 1

[FBIS Translated Text] At the Foreign Ministry, Foreign Minister Miguel Angel Burelli Rivas has received Marie-Michelle Rey, the Haitian finance and economics minister, who thanked Burelli Rivas for Venezuela's support during her country's political crisis. Rey proposed the resumption of talks to reactivate cooperation programs.

Upon leaving the meeting, Rey affirmed: "The purpose of my visit is to thank the Venezuelan Government for the support it gave us during the extremely difficult period we have just experienced and to reactivate economic cooperation programs."

She explained that Haiti "is interested in renegotiating the San Jose Agreement and regional trade agreements. We want to expand bilateral trade. Venezuelan producers are very competitive in the Haitian market. The Haitian Government is also interested in low-income housing, and Venezuela is known in Haiti as a country that has achieved significant progress in this field."

We also will hold a series of meetings with the Venezuelan Investment Fund, Finexpo [Venezuelan Fund for Export Financing], and any other sector in which we may have an interest, she said.

Also present at the meeting were Ambassador Vicente Valenilla, general division director for international economic and cooperation affairs; Ambassador Hector Azocar, director of Caribbean cooperation affairs; Elsa Boccheciampe, Venezuela's ambassador to Haiti; Petuel Raymond, Haitian charge d'affaires in Venezuela; and Frank Lanois, special adviser to the fianance and economics minister.

Roundup of Economic Developments

PA1701224095

[FBIS Editorial Report] The following is a compilation of reports on economic developments in Venezuela monitored through 17 January.

The Finance Ministry has reported that Venezuela's foreign debt declined by $95 million by the end of 1994, dropping to $26.434 billion, according to a VENPRESS Caracas-datelined item. The report, however, noted that the national debt increased 1.2918 trillion bolivares, compared to 594 billion by the end of 1993. The Finance Ministry said this increase was prompted by the financial assistance given to banks facing problems. (Caracas EL NACIONAL in Spanish 8 Jan 95 pp D-5, D-8)

Canadian Occidental Petroleum has announced the creation of a Venezuelan subsidiary, which will be known as CXY International Venezuela, Inc. The new enterprise will be part of a consortium, along with New Zealand's Fletcher Challenge and Canadian Numac Energy, which will participate in Venezuelan oil activities. Canadian Occidental announced that CXY International Venezuela, Inc. will represent the group and appointed Gonzalo Gamero as general manager. (Caracas EL UNIVERSAL In Spanish 10 Jan 95 Section 2 p 4)

Lagoven, a subsidiary of Venezuelan Petroleum, Inc. (PDVSA), exported 27,000 barrels of asphalt per day in 1994, which represents an increase of more than 2,000 barrels per day over 1993, according to Lagoven official Nelson Hernandez. He noted that the United States and Canada were the main markets. (Caracas ECONOMIA HOY in Spanish 10 Jan 95 p 9)

An 11 January Mexico City-datelined report indicates that the Deposit Guarantee and Bank Protection Fund (Fogade) has proposed the implementation of a currency to replace the bolivar, which would have the same value as the dollar. The report adds that a document published by Venezuelan economist Roosevelt Velasquez says that the creation of a new currency, which would be called "bolivar-oro," would eliminate the psychological effect caused by the mid-1994 devaluation and would maintain a fixed exchange rate. The study also recommended a number of measures to fight inflation, including reducing unnecessary government spending, freezing salaries, and moderate expansion of monetary liquidity. (Mexico City NOTIMEX in Spanish 0218 GMT 11 Jan 95)

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Tax revenues during the past year surpassed the amount estimated by the Finance Ministry. Nevertheless, tax evasion in 1994 was 60 percent. (Caracas Venezolana de Television Network in Spanish 1630 GMT 11 Jan 95)

An 11 January Caracas-datelined report indicates that Maraven, a subsidiary of PDVSA, has announced it will implement a new gasoline refining system to improve quality in accordance with U.S. standards. (Mexico City NOTIMEX in Spanish 1746 GMT 11 Jan 95)

The Central Statistics and Data Processing Office (OCEI), issued preliminary unemployment figures for the second half of 1994 based on a nation-wide survey. The report says that the unemployment rate during that period was 8.7 percent, while the unemployment rate among the self-employed increased significantly during the past 18 months to 46.5 percent. The report adds that there are 13,471,460 Venezuelans 15 or older of whom 7,912,241 are economically active. Finally, the report says that a total of 7,223,650 Venezuelans are employed, while 688,591 are unemployed. (Caracas ECONOMIA HOY in Spanish 13 Jan 95 p 9)

The first shipment of reformulated gasoline produced in Corpoven's (Venezuelan Petroleum Corporation) El Palito refinery, consisting of 248,200 barrels, arrived in the United States early this month, meeting the necessary specifications for environmenal protection. (Caracas EL NACIONAL in Spanish 13 Jan 95 p D-5)

According to the National Office of Statistics and Information Science (OCEI), exports of common metals increased 16.8 percent in 1994. The report adds that nontraditional exports totaled $3.987 billion and experienced an increase of 16.5 percent over 1993. Exports from the private sector totaled $2.655 billion, representing 66.6 percent, while the public sector exported $1.332 billion, or 33.4 percent. The main nontraditional export products were common metals (38.9 percent), chemical products (11.2 percent), transportation equipment (10.9 percent), and precious stones and metals (7.5 percent). (Caracas ECONOMIA HOY in Spanish 14 Jan 95 p 9)

The Central Bank of Venezuela, BCV, has reported that the exchange rate at the end of December was 196.14 bolivares per dollar, which represents an overvaluation of the national currency by 13.3 percent. This was attributed to the fact that the official exchange rate has not been modified to compensate for the difference between Venezuela's inflation and that of its main commercial partners. (Caracas ECONOMIA HOY in Spanish 16 Jan 95 p 18)

A Caracas-datelined 16 January report states that a high PDVSA official announced today that this enterprise will invest $614 billion in oil exploration and exploitation, basically in drilling 35 exploratory oil wells. (Mexico City NOTIMEX in Spanish 0144 GMT 17 Jan 95)

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

BULK RATE
U.S. POSTAGE
PAID
PERMIT NO. 352
MERRIFIELD, VA.

This is a U.S. Government publication. Its contents in no way represent the policies, views, or attitudes of the U.S. Government. Users of this publication may cite FBIS or JPRS provided they do so in a manner clearly identifying them as the secondary source.

Foreign Broadcast Information Service (FBIS) and Joint Publications Research Service (JPRS) publications contain political, military, economic, environmental, and sociological news, commentary, and other information, as well as scientific and technical data and reports. All information has been obtained from foreign radio and television broadcasts, news agency transmissions, newspapers, books, and periodicals. Items generally are processed from the first or best available sources. It should not be inferred that they have been disseminated only in the medium, in the language, or to the area indicated. Items from foreign language sources are translated; those from English-language sources are transcribed. Except for excluding certain diacritics, FBIS renders personal names and place-names in accordance with the romanization systems approved for U.S. Government publications by the U.S. Board of Geographic Names.

Headlines, editorial reports, and material enclosed in brackets [ ] are supplied by FBIS/JPRS. Processing indicators such as [Text] or [Excerpts] in the first line of each item indicate how the information was processed from the original. Unfamiliar names rendered phonetically are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear from the original source but have been supplied as appropriate to the context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by the source. Passages in boldface or italics are as published.

SUBSCRIPTION/PROCUREMENT INFORMATION

The FBIS DAILY REPORT contains current news and information and is published Monday through Friday in eight volumes: China, East Europe, Central Eurasia, East Asia, Near East & South Asia, Sub-Saharan Africa, Latin America, and West Europe. Supplements to the DAILY REPORTs may also be available periodically and will be distributed to regular DAILY REPORT subscribers. JPRS publications, which include approximately 50 regional, worldwide, and topical reports, generally contain less time-sensitive information and are published periodically.

Current DAILY REPORTs and JPRS publications are listed in *Government Reports Announcements* issued semimonthly by the National Technical Information Service (NTIS), 5285 Port Royal Road, Springfield, Virginia 22161 and the *Monthly Catalog of U.S. Government Publications* issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

The public may subscribe to either hardcover or microfiche versions of the DAILY REPORTs and JPRS publications through NTIS at the above address or by calling (703) 487-4630. Subscription rates will be provided by NTIS upon request. Subscriptions are available outside the United States from NTIS or appointed foreign dealers. New subscribers should expect a 30-day delay in receipt of the first issue.

U.S. Government offices may obtain subscriptions to the DAILY REPORTs or JPRS publications (hardcover or microfiche) at no charge through their sponsoring organizations. For additional information or assistance, call FBIS, (202) 338-6735,or write to P.O. Box 2604, Washington, D.C. 20013. Department of Defense consumers are required to submit requests through appropriate command validation channels to DIA, RTS-2C, Washington, D.C. 20301. (Telephone: (202) 373-3771, Autovon: 243-3771.)

Back issues or single copies of the DAILY REPORTs and JPRS publications are not available. Both the DAILY REPORTs and the JPRS publications are on file for public reference at the Library of Congress and at many Federal Depository Libraries. Reference copies may also be seen at many public and university libraries throughout the United States.